

PROFESSIONAL CONSULTANT SERVICES AGREEMENT

CAROLLO ENGINEERS, INC.

Water Cost of Service Analysis and Rate Design – RFP No. 2494

This PROFESSIONAL CONSULTANT SERVICES AGREEMENT (“Agreement”) is made and entered into this _____ day of _____, 20____ (“Effective Date”), by and between the CITY OF RIVERSIDE, a California charter city and municipal corporation (“City”), and CAROLLO ENGINEERS, INC., a California corporation (“Consultant”).

1. **Scope of Services.** City agrees to retain and does hereby retain Consultant and Consultant agrees to provide the services more particularly described in Exhibit “A,” “Scope of Services” (“Services”), attached hereto and incorporated herein by reference, in conjunction with Water Cost of Service Analysis and Rate Design – RFP No. 2494 (“Project”).

2. **Term.** This Agreement shall be effective from the first date written above, and shall remain in effect until December 31, 2027, unless otherwise terminated pursuant to the provisions herein. The term of this Agreement may be extended by the mutual written consent of the parties for an additional term of two (2) years.

3. **Compensation/Payment.** Consultant shall perform the Services under this Agreement for the total sum not to exceed Two Hundred Seventy-One Thousand Nine Hundred Sixty Dollars (\$271,960.00) payable in accordance with the terms set forth in Exhibit “B.” Said payment shall be made in accordance with City’s usual accounting procedures upon receipt and approval of an itemized invoice setting forth the services performed. The invoices shall be delivered to City at the address set forth in Section 4 hereof.

4. **Notices.** Any notices required to be given, hereunder shall be in writing and shall be personally served or given by mail. Any notice given by mail shall be deemed given when deposited in the United States Mail, certified and postage prepaid, addressed to the party to be served as follows:

To City

Riverside Public Utilities
City of Riverside
Attn: Nicholas Marrelli
3900 Main Street
Riverside, CA 92501

To Consultant

Carollo Engineers, Inc.
Attn: Alex Bugbee
3400 Central Avenue, Suite 205
Riverside, CA 92506

5. **Prevailing Wage.** If applicable, Consultant and all subcontractors are required to pay the general prevailing wage rates of per diem wages and overtime and holiday wages determined by the Director of the Department of Industrial Relations under Section 1720 et seq. of the California Labor Code and implemented by Resolution No. 13346 of the City Council of the City of Riverside. The Director’s determination is available on-line at

www.dir.ca.gov/dlsr/DPreWageDetermination.htm and is referred to and made a part hereof; the wage rates therein ascertained, determined, and specified are referred to and made a part hereof as though fully set forth herein.

6. **Contract Administration.** A designee of the City will be appointed in writing by the City Manager or Department Director to administer this Agreement on behalf of City and shall be referred to herein as Contract Administrator.

7. **Standard of Performance.** While performing the Services, Consultant shall exercise the reasonable professional care and skill customarily exercised by reputable members of Consultant's profession practicing in the Metropolitan Southern California Area and shall use reasonable diligence and best judgment while exercising its professional skill and expertise.

8. **Personnel.** Consultant shall furnish all personnel necessary to perform the Services and shall be responsible for their performance and compensation. Consultant recognizes that the qualifications and experience of the personnel to be used are vital to professional and timely completion of the Services. The key personnel listed in Exhibit "C" attached hereto and incorporated herein by this reference and assigned to perform portions of the Services shall remain assigned through completion of the Services, unless otherwise mutually agreed by the parties in writing, or caused by hardship or resignation in which case substitutes shall be subject to City approval.

9. **Assignment and Subcontracting.** Neither party shall assign any right, interest, or obligation in or under this Agreement to any other entity without prior written consent of the other party. In any event, no assignment shall be made unless the assignee expressly assumes the obligations of assignor under this Agreement, in a writing satisfactory to the parties. Consultant acknowledges that any assignment may, at the City's sole discretion, require City Manager and/or City Council approval. Consultant shall not subcontract any portion of the work required by this Agreement without prior written approval by the responsible City Contract Administrator. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement, including without limitation, the insurance obligations set forth in Section 12. The Consultant acknowledges and agrees that the City is an intended beneficiary of any work performed by any subcontractor for purposes of establishing a duty of care between any subcontractor and the City.

10. **Independent Contractor.** In the performance of this Agreement, Consultant, and Consultant's employees, subcontractors and agents, shall act in an independent capacity as independent contractors, and not as officers or employees of the City of Riverside. Consultant acknowledges and agrees that the City has no obligation to pay or withhold state or federal taxes or to provide workers' compensation or unemployment insurance to Consultant, or to Consultant's employees, subcontractors and agents. Consultant, as an independent contractor, shall be responsible for any and all taxes that apply to Consultant as an employer.

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11. **Indemnification.**

11.1 **Intentionally Omitted.**

11.2 **Defense Obligation.** Consultant agrees, at its cost and expense, to promptly defend the City, and the City's employees, officers, managers, agents and council members (collectively the "Parties to be Defended") from and against any and all claims, allegations, lawsuits, arbitration proceedings, administrative proceedings, regulatory proceedings, or other legal proceedings to the extent the same arise out of, pertain to, or relate to the negligence, recklessness or willful misconduct of Consultant, or anyone employed by or working under the Consultant or for services rendered to the Consultant in the performance of the Agreement, notwithstanding that the City may have benefited from its work or services and whether or not caused in part by the negligence of an Indemnified Party. Consultant agrees to provide this defense immediately upon written notice from the City, and with well qualified, adequately insured and experienced legal counsel acceptable to City. Consultant will reimburse City for reasonable defense costs for claims arising out of Consultant's professional negligence based on the percentage of Consultant's liability. This obligation to defend as set forth herein is binding on the successors, assigns and heirs of Consultant and shall survive the termination of Consultant's Services under this Agreement.

11.3 **Indemnity.** When the law establishes a professional standard of care for Consultant's services, to the fullest extent permitted by law, Consultant shall indemnify, protect and hold harmless the City and the City's employees, officers, managers, agents, and Council Members ("Indemnified Parties") from and against any and all claim for damage, charge, lawsuit, action, judicial, administrative, regulatory or arbitration proceeding, damage, cost, expense (including counsel and expert fees), judgment, civil fines and penalties, liabilities or losses of any kind or nature whatsoever to the extent the same arise out of, pertain to, or relate to the negligence, recklessness or willful misconduct of Consultant, or anyone employed by or working under the Consultant or for services rendered to the Consultant in the performance of the Agreement, notwithstanding that the City may have benefited from its work or services and whether or not caused in part by the negligence of an Indemnified Party.

11.4 **Intentionally Omitted.**

11.5 **Intentionally Omitted.**

11.6 **Warranties and Damages.** Consultant shall not be responsible for warranties, guarantees, fitness for a particular purpose, breach of fiduciary duty, loss of anticipated profits or for economic, incidental, liquidated, or consequential damages to the City or any third party arising out of breach of contract, delay, termination, or for any other reason whatsoever. Additionally, Consultant shall not be responsible for acts and decisions of third parties, including governmental agencies, other than Consultant's subconsultants, that impact project completion and/or success. Additionally, Consultant's services hereunder do not include providing legal advice and/or a legal determination as to whether current rates and/or proposed future rates are in accordance with Proposition 218 and/or any other law and/or regulation related thereto.

11.7 **Limitation of Liability.** Except as to claims for personal injury or property damage, Consultant's total aggregate liability hereunder, due to any cause and/or reason, is limited to the total compensation paid to Consultant hereunder.

12. **Insurance.**

12.1 **General Provisions.** Prior to the City's execution of this Agreement, Consultant shall provide satisfactory evidence of, and shall thereafter maintain during the term of this Agreement, such insurance policies and coverages in the types, limits, forms and ratings required herein. The rating and required insurance policies and coverages may be modified in writing by the City's Risk Manager or City Attorney, or a designee, unless such modification is prohibited by law.

12.1.1 **Limitations.** These minimum amounts of coverage shall not constitute any limitation or cap on Consultant's indemnification obligations under Section 11 hereof.

12.1.2 **Ratings.** Any insurance policy or coverage provided by Consultant or subcontractors as required by this Agreement shall be deemed inadequate and a material breach of this Agreement, unless such policy or coverage is issued by insurance companies authorized to transact insurance business in the State of California with a policy holder's rating of A or higher and a Financial Class of VII or higher.

12.1.3 **Cancellation.** The policies shall not be canceled unless thirty (30) days' prior written notification of intended cancellation has been given to City by certified or registered mail, postage prepaid.

12.1.4 **Adequacy.** The City, its officers, employees and agents make no representation that the types or limits of insurance specified to be carried by Consultant pursuant to this Agreement are adequate to protect Consultant. If Consultant believes that any required insurance coverage is inadequate, Consultant will obtain such additional insurance coverage as Consultant deems adequate, at Consultant's sole expense.

12.2 **Workers' Compensation Insurance.** By executing this Agreement, Consultant certifies that Consultant is aware of and will comply with Section 3700 of the Labor Code of the State of California requiring every employer to be insured against liability for workers' compensation, or to undertake self-insurance before commencing any of the work. Consultant shall carry the insurance or provide for self-insurance required by California law to protect said Consultant from claims under the Workers' Compensation Act. Prior to City's execution of this Agreement, Consultant shall file with City either 1) a certificate of insurance showing that such insurance is in effect, or that Consultant is self-insured for such coverage, or 2) a certified statement that Consultant has no employees, and acknowledging that if Consultant does employ any person, the necessary certificate of insurance will immediately be filed with City. Any certificate filed with City shall provide that City will be given ten (10) days' prior written notice before modification or cancellation thereof.

12.3 Commercial General Liability and Automobile Insurance. Prior to City's execution of this Agreement, Consultant shall obtain, and shall thereafter maintain during the term of this Agreement, commercial general liability insurance and automobile liability insurance as required to insure Consultant against damages for personal injury, including accidental death, as well as from claims for property damage, which may arise from or which may concern operations by anyone directly or indirectly employed by, connected with, or acting for or on behalf of Consultant. The City, and its officers, employees and agents, shall be named as additional insureds under the Consultant's insurance policies.

12.3.1 Consultant's commercial general liability insurance policy shall cover both bodily injury (including death) and property damage (including, but not limited to, premises operations liability, products-completed operations liability, independent contractor's liability, personal injury liability, and contractual liability) in an amount not less than \$1,000,000 per occurrence and a general aggregate limit in the amount of not less than \$2,000,000.

12.3.2 Consultant's automobile liability policy shall cover both bodily injury and property damage in an amount not less than \$1,000,000 per occurrence and an aggregate limit of not less than \$1,000,000. All of Consultant's automobile and/or commercial general liability insurance policies shall cover all vehicles used in connection with Consultant's performance of this Agreement, which vehicles shall include, but are not limited to, Consultant owned vehicles, Consultant leased vehicles, Consultant's employee vehicles, non-Consultant owned vehicles and hired vehicles.

12.3.3 Prior to City's execution of this Agreement, copies of insurance policies or original certificates along with additional insured endorsements acceptable to the City evidencing the coverage required by this Agreement, for both commercial general and automobile liability insurance, shall be filed with City and shall include the City and its officers, employees and agents, as additional insureds. Said policies shall be in the usual form of commercial general and automobile liability insurance policies, but shall include the following provisions:

It is agreed that the City of Riverside, and its officers, employees and agents, are added as additional insureds under this policy, solely for work done by and on behalf of the named insured for the City of Riverside.

12.3.4 The insurance policy or policies shall also comply with the following provisions:

- a. The policy shall be endorsed to waive any right of subrogation against the City and its sub-consultants, employees, officers and agents for services performed under this Agreement.
- b. If the policy is written on a claims-made basis, the certificate should so specify and the policy must continue in force for one year after completion of the services. The retroactive date of coverage must also be listed.

- c. The policy shall specify that the insurance provided by Consultant will be considered primary and not contributory to any other insurance available to the City and Endorsement No. CG 20010413 shall be provided to the City.

12.4 Errors and Omissions Insurance. Prior to City's execution of this Agreement, Consultant shall obtain, and shall thereafter maintain during the term of this Agreement, errors and omissions professional liability insurance in the minimum amount of \$1,000,000 to protect the City from claims resulting from the Consultant's activities.

12.5 Subcontractors' Insurance. Consultant shall require all of its subcontractors to carry insurance, in an amount sufficient to cover the risk of injury, damage or loss that may be caused by the subcontractors' scope of work and activities provided in furtherance of this Agreement, including, but without limitation, the following coverages: Workers Compensation, Commercial General Liability, Errors and Omissions, and Automobile liability. Upon City's request, Consultant shall provide City with satisfactory evidence that Subcontractors have obtained insurance policies and coverages required by this section.

13. Business Tax. Consultant understands that the Services performed under this Agreement constitutes doing business in the City of Riverside, and Consultant agrees that Consultant will register for and pay a business tax pursuant to Chapter 5.04 of the Riverside Municipal Code and keep such tax certificate current during the term of this Agreement.

14. Time of Essence. Time is of the essence for each and every provision of this Agreement.

15. City's Right to Employ Other Consultants. City reserves the right to employ other Consultants in connection with the Project. If the City is required to employ another consultant to complete Consultant's work, due to the failure of the Consultant to perform, or due to the breach of any of the provisions of this Agreement, the City reserves the right to seek reimbursement from Consultant.

16. Accounting Records. Consultant shall maintain complete and accurate records with respect to costs incurred under this Agreement. All such records shall be clearly identifiable. Consultant shall allow a representative of City during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Consultant shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of three (3) years from the date of final payment under this Agreement.

17. Confidentiality. All ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other materials either created by or provided to Consultant in connection with the performance of this Agreement shall be held confidential by Consultant, except as otherwise directed by City's Contract Administrator. Nothing furnished to Consultant which is otherwise known to the Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use City's name or insignia, photographs of the Project, or any

publicity pertaining to the Services or the Project in any magazine, trade paper, newspaper, television or radio production, website, or other similar medium without the prior written consent of the City.

18. **Ownership of Documents.** All reports, maps, drawings and other contract deliverables prepared under this Agreement by Consultant shall be and remain the property of City. Consultant shall not release to others information furnished by City without prior express written approval of City.

19. **Copyrights.** Consultant agrees that any work prepared for City which is eligible for copyright protection in the United States or elsewhere shall be a work made for hire. If any such work is deemed for any reason not to be a work made for hire, Consultant assigns all right, title and interest in the copyright in such work, and all extensions and renewals thereof, to City, and agrees to provide all assistance reasonably requested by City in the establishment, preservation and enforcement of its copyright in such work, such assistance to be provided at City's expense but without any additional compensation to Consultant. Consultant agrees to waive all moral rights relating to the work developed or produced, including without limitation any and all rights of identification of authorship and any and all rights of approval, restriction or limitation on use or subsequent modifications.

20. **Conflict of Interest.** Consultant, for itself and on behalf of the individuals listed in Exhibit "C," represents and warrants that by the execution of this Agreement, they have no interest, present or contemplated, in the Project affected by the above-described Services. Consultant further warrants that neither Consultant, nor the individuals listed in Exhibit "C" have any real property, business interests or income interests that will be affected by this project or, alternatively, that Consultant will file with the City an affidavit disclosing any such interest.

21. **Solicitation.** Consultant warrants that Consultant has not employed or retained any person or agency to solicit or secure this Agreement, nor has it entered into any agreement or understanding for a commission, percentage, brokerage, or contingent fee to be paid to secure this Agreement. For breach of this warranty, City shall have the right to terminate this Agreement without liability and pay Consultant only for the value of work Consultant has actually performed, or, in its sole discretion, to deduct from the Agreement price or otherwise recover from Consultant the full amount of such commission, percentage, brokerage or commission fee. The remedies specified in this section shall be in addition to and not in lieu of those remedies otherwise specified in this Agreement.

22. **General Compliance With Laws.** Consultant shall keep fully informed of federal, state and local laws and ordinances and regulations which in any manner affect those employed by Consultant, or in any way affect the performance of services by Consultant pursuant to this Agreement. Consultant shall at all times observe and comply with all such laws, ordinances and regulations, and shall be solely responsible for any failure to comply with all applicable laws, ordinances and regulations. Consultant represents and warrants that Consultant has obtained all necessary licenses to perform the Scope of Services and that such licenses are in good standing. Consultant further represents and warrants that the services provided herein shall conform to all ordinances, policies and practices of the City of Riverside.

23. **Waiver.** No action or failure to act by the City shall constitute a waiver of any right or duty afforded City under this Agreement, nor shall any such action or failure to act constitute approval of or acquiescence in any breach thereunder, except as may be specifically, provided in this Agreement or as may be otherwise agreed in writing.

24. **Amendments.** This Agreement may be modified or amended only by a written agreement and/or change order executed by the Consultant and City.

25. **Termination.** City, by notifying Consultant in writing, shall have the right to terminate any or all of Consultant's services and work covered by this Agreement at any time. In the event of such termination, Consultant may submit Consultant's final written statement of the amount of Consultant's services as of the date of such termination based upon the ratio that the work completed bears to the total work required to make the report complete, subject to the City's rights under Sections 15 and 26 hereof. In ascertaining the work actually rendered through the termination date, City shall consider completed work, work in progress and complete and incomplete reports and other documents only after delivered to City.

25.1 Other than as stated below, City shall give Consultant thirty (30) days' prior written notice prior to termination.

25.2 City may terminate this Agreement upon fifteen (15) days' written notice to Consultant, in the event:

25.2.1 Consultant substantially fails to perform or materially breaches the Agreement; or

25.2.2 City decides to abandon or postpone the Project.

26. **Offsets.** Consultant acknowledges and agrees that with respect to any business tax or penalties thereon, utility charges, invoiced fee or other debt which Consultant owes or may owe to the City, City reserves the right to withhold and offset said amounts from payments or refunds or reimbursements owed by City to Consultant. Notice of such withholding and offset, shall promptly be given to Consultant by City in writing. In the event of a dispute as to the amount owed or whether such amount is owed to the City, City will hold such disputed amount until either the appropriate appeal process has been completed or until the dispute has been resolved.

27. **Successors and Assigns.** This Agreement shall be binding upon City and its successors and assigns, and upon Consultant and its permitted successors and assigns, and shall not be assigned by Consultant, either in whole or in part, except as otherwise provided in paragraph 9 of this Agreement.

28. **Venue.** Any action at law or in equity brought by either of the parties hereto for the purpose of enforcing a right or rights provided for by this Agreement shall be tried in the Superior Court, County of Riverside, State of California, and the parties hereby waive all provisions of law providing for a change of venue in such proceedings to any other county. In the event either party hereto shall bring suit to enforce any term of this Agreement or to recover any damages for and on account of the breach of any term or condition of this Agreement, it is mutually agreed that each party will bear their own attorney's fees and costs.

29. **Nondiscrimination.** During Consultant's performance of this Agreement, Consultant shall not discriminate on the grounds of race, religious creed, color, national origin, ancestry, age, physical disability, mental disability, medical condition, including the medical condition of Acquired Immune Deficiency Syndrome (AIDS) or any condition related thereto, marital status, sex, genetic information, gender, gender identity, gender expression, or sexual orientation, military and veteran status, in the selection and retention of employees and subcontractors and the procurement of materials and equipment, except as provided in Section 12940 of the California Government Code. Further, Consultant agrees to conform to the requirements of the Americans with Disabilities Act in the performance of this Agreement.

30. **Severability.** Each provision, term, condition, covenant and/or restriction, in whole and in part, of this Agreement shall be considered severable. In the event any provision, term, condition, covenant and/or restriction, in whole and/or in part, of this Agreement is declared invalid, unconstitutional, or void for any reason, such provision or part thereof shall be severed from this Agreement and shall not affect any other provision, term, condition, covenant and/or restriction of this Agreement, and the remainder of the Agreement shall continue in full force and effect.

31. **Authority.** The individuals executing this Agreement and the instruments referenced herein on behalf of Consultant each represent and warrant that they have the legal power, right and actual authority to bind Consultant to the terms and conditions hereof and thereof.

32. **Entire Agreement.** This Agreement constitutes the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior and contemporaneous understandings or agreements of the parties. Neither party has been induced to enter into this Agreement by and neither party is relying on, any representation or warranty outside those expressly set forth in this Agreement.

33. **Digital and Counterpart Signatures.** Each party to this Agreement intends and agrees to the use of digital signatures that meet the requirements of the California Uniform Electronic Transactions Act (Civil Code §§ 1633.1, et seq.), California Government Code § 16.5, and California Code of Regulations Title 2 Division 7 Chapter 10, to execute this Agreement. The parties further agree that the digital signatures of the parties included in this Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures for purposes of validity, enforceability, and admissibility. For purposes of this section, a "digital signature" is defined in subdivision (d) of Section 16.5 of the Government Code and is a type of "electronic signature" as defined in subdivision (h) of Section 1633.2 of the Civil Code. This Agreement may be executed in any number of counterparts, each of which will be an original, but all of which together will constitute one instrument. Each certified or authenticated electronic copy of an encrypted digital signature shall be deemed a duplicate original, constituting one and the same instrument and shall be binding on the parties hereto.

34. **Interpretation.** City and Consultant acknowledge and agree that this Agreement is the product of mutual arms-length negotiations and accordingly, the rule of construction, which provides that the ambiguities in a document shall be construed against the drafter of that document, shall have no application to the interpretation and enforcement of this Agreement.

34.1 Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of the Agreement or any of its terms. Reference to section numbers, are to sections in the Agreement unless expressly stated otherwise.

34.2 This Agreement shall be governed by and construed in accordance with the laws of the State of California in effect at the time of the execution of this Agreement.

34.3 In the event of a conflict between the body of this Agreement and Exhibit “A” - Scope of Services hereto, the terms contained in Exhibit “A” shall be controlling.

35. **Third Parties.** The services to be performed by Consultant are intended solely for the benefit of the City. No person or entity not a signatory to this Agreement shall be entitled to rely on Consultant's performance of its services hereunder, and no right to assert a claim against Consultant by assignment of indemnity rights or otherwise shall accrue to a third party as a result of this Agreement or the performance of Consultant's services hereunder.

36. **Exhibits.** The following exhibits attached hereto are incorporated herein to this Agreement by this reference:

Exhibit “A” - Scope of Services

Exhibit “B” - Compensation

Exhibit “C” - Key Personnel


[signatures on the following page]

IN WITNESS WHEREOF, City and Consultant have caused this Agreement to be duly executed the day and year first above written.

CITY OF RIVERSIDE, a California
charter city and municipal corporation


CAROLLO ENGINEERS, INC., a California
corporation

By: _____
Mike Futrell
City Manager

By:  _____
Print Name: Graham Juby
Title: Vice President

and

Attest: _____
Donesia Gause
City Clerk

By:  _____
Print Name: Alexander Bugbee
Title: Associate Vice President

Certified as to Availability of Funds:

By: _____
Chief Financial Officer

Approved as to Form:

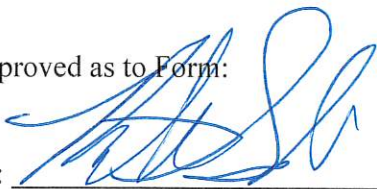
By:  _____
Ruthann M. Salera
Sr. Deputy City Attorney

EXHIBIT "A"
SCOPE OF SERVICES

Statement of Understanding and Approach

With clear communications, we will work to better understand your unique challenges, and we will bring our technical and regulatory expertise while engaging with stakeholders throughout the process.

Project Understanding

The City of Riverside Public Utilities Department (City or RPU) is seeking a qualified consultant to provide Water Cost of Service Analysis (COSA) and Rate Design Study (Study) to evaluate RPU's potable and recycled water rates. The legal requirements, and the responsibility of RPU as a public service provider, center on developing user rates with a clear nexus to RPU's costs and a fair and equitable rate structure. To do so, the Study needs to provide a comprehensive review and analysis of the costs that RPU incurs to serve its diverse customer base and develop appropriate rate structures to recover those costs.

Having completed RPU's previous water COSA study, Carollo is strategically positioned to assist RPU in meeting those requirements effectively.

Carollo understands the importance of selecting a qualified rate consultant for this Study to provide an independent analysis and defensible recommendations for consideration by your Board of Directors and ultimately the City Council. We understand that adequate recovery of costs and compliance with legal and regulatory requirements, debt covenants, and your policies are not merely objectives of this Study— they are essential to the continued operation of RPU.

Carollo's proven California experience and industry leadership will successfully lead you through the Study. As envisioned by RPU, the Study will consist of several components or phases that will be integrated through the Study process and culminate in rate adoptions for potable and recycled water. Through each phase, Carollo will work closely with RPU to make sure that the Study progresses on schedule, and that deliverables and other work products are meeting expectations. **The main study will include the following phases:**

Phase I. Cost of Service Analysis

The COSA provides the link between RPU's projected revenue requirements, including operating and maintenance costs, debt service, capital costs, and policy needs to billable components, which become the building blocks of user rates. Billable components for the water utility include customer service, capacity, base water demand, peak water demand (max day and max hour), and water supply. During this phase, the calculated revenue requirements will be allocated to each customer class based on the calculated capacity and treatment requirements by billable component. Proposed allocation methodologies will adhere to Proposition 218 requirements and sound cost-of-service ratemaking principles.

An understanding of RPU's unique characteristics is crucial to the success of this phase. For example, while RPU owns, operates, and maintains its own water supply and is not typically dependent on imported water from outside sources, the aquifers the Water Utility draws from are experiencing historical low levels. Subsequently, the Water Utility has been proactive in developing and offering a wide variety of water conservation programs while reducing their water usage and utility costs, the COSA must consider those variations. Furthermore, RPU anticipates investing in projects to augment its water supply portfolio, such as recycled water and groundwater basin recharge, to



CAROLLO HAS DEVELOPED CUSTOMIZED DASHBOARD-BASED FINANCIAL AND RATE MODELS for dozens of clients that allow for flexibility in planning and straightforward scenario analysis. As we build the model for RPU, we will work with you to tailor the inputs and options to your needs.

plan long-range water supply. RPU also has a diverse customer base including residential, commercial, landscape, and industrial, alongside agricultural users, who have a strong heritage within the City. By understanding the unique needs of the customer base, Carollo can shape the cost-of-service analysis so that costs can be accurately and appropriately allocated to rates in Phase III.

Phase II. Water Utility Rate Trends Study

Water rate structures in California continue to transition and morph as case law develops and modifications to State requirements and guidance change. While every agency's rate structure must reflect its unique nature and customer base, the Rate Trends Study can provide valuable background into how other agencies in California have dealt with the evolving legal and regulatory environment. We will draw on our wide-ranging experience, as well as additional research, to provide a detailed report on emerging and expected rate structures and cost recovery mechanisms throughout the industry. The findings of the Rate Trends Study will be used to identify potential rate structure elements for RPU that can be further evaluated in Phase III.

Phase III. Rate Design Recommendation Including Rate Adoption

The rate design will use the results from Phase I, along with the guidance from the Rate Trends Study (Phase II), to develop recommended rates for each identified customer class. While RPU has some flexibility in designing a rate structure that meets its policy and fiscal objectives, any proposed rate structure changes must comply with the requirements of California Proposition 218 and sound ratemaking principles. In determining the appropriate rates and rate structures, Carollo will work with RPU to consider various rate design alternatives and the resulting impacts to both RPU and its customers. Each option will be evaluated using a set of guiding principles, which could include:

1. Compliance with legal and regulatory requirements.
2. Adherence to sound cost-of-service practices.
3. Rates that are clear and understandable.
4. Ease of administration by RPU.
5. Revenue stability.
6. Affordability and customer control.

Given the numerous and competing elements of rate design, the selection of an appropriate rate structure is complex. There is no single structure that meets all objectives equally. The recommended rates need

to proportionally recover costs from system users, provide a stable source of revenue to fund RPU's operations, maintenance, and reinvestment activities, and be both easy to administer by RPU and easy to understand by RPU's customers.

Phase IV. Recycled Water Rate Design Recommendation

RPU is working to expand the use of recycled water by investing in additional recycled water infrastructure and conversions of existing potable customers. Given that RPU serves its potable water customers entirely with its own groundwater resources, adding recycled water to the supply portfolio will provide resilience and water security for the system as a whole. As such, the rate structures for both potable and recycled water can reflect the shared benefits that expanded use of recycled water provides.

After the costs of recycled water have been defined, an allocation that considers recycled water costs as well as the benefits inferred to the potable water customers, will be used to develop options for recycled water cost recovery. This analysis will also explore the feasibility of funding structures, such as a one-water approach to financial planning and rate-setting, and the impact they could have on the greater rate plan. The rate design will aim to develop recycled water rates that adequately recover costs, account for the benefits that recycled water provides to all customers and incentivize conversion to and use of recycled water for landscape, industrial, and agricultural purposes.

Phase V. Budget-Based Rate Design Recommendation

The budget-based rate design will draw on the results of the previous phases to recommend a budget-based rate structure tailored to RPU. The structure will reflect RPU's unique supply portfolio, cost structure, water demand profile, and customer demographics. While every rate structure is unique, Carollo's experience in budget-based rate-setting for several of RPU's peer agencies, including the Rancho California, Eastern Municipal, and Monte Vista Water Districts will provide valuable insight as we develop a budget structure for RPU. Further, throughout the earlier project phases, we will consider the potential implications for budget rates and adjust methodologies accordingly so that water budgets can be easily integrated with the other analyses.

Implementation of budget-based rates would have the potential for significant shifts in revenue collection at the customer level, and understanding potential

customer impacts will be essential. To meet this challenge, we will work with RPU to develop a detailed assessment of customer impacts and to understand the potential for shifting cost recovery due to future drought restrictions or other regulatory factors that would influence water budgets.

DEVELOPING WATER BUDGETS REQUIRES ANALYZING DETAILED DATA FOR EACH CUSTOMER SUCH AS PERSONS PER HOUSEHOLD, LOT SIZE, IRRIGABLE AREA, ETO, AND OTHER FACTORS.

Recognizing that RPU is still in the process of gathering this data, Carollo will work with RPU to tailor the water budget structure to reflect the data available at the time of the Study and define a potential transition plan as new data sources become available. For example, the initial structure could include budgets based on standard assumptions for irrigable area and occupancy, with future updates to refine parameters as data is gathered and refined in subsequent efforts.

Phase VI. Elevation Charges Design Recommendation

Elevation charges are separate fees added to customers served at higher elevations. It involves more energy, infrastructure, and costs to operate and maintain systems to pump and deliver water uphill to customers in these areas. Elevation charges would help the utility recover these additional costs from the appropriate customers, specifically those whose elevation requires additional infrastructure and operational investments.

To avoid cross-subsidies from lower elevation customers and to provide cost-of-service fairness, Carollo will work closely with the City to determine the cost related to water delivery and develop the charges in compliance with Prop 218 methodologies approved by the American Water Works Association.

Phase VII. Water Treatment Plant Rate Design Recommendation

PFAS, often referred to as “forever chemicals,” have become prominent environmental and health concerns in water industry in recent years. These synthetic chemicals do not break down naturally, and it is important to address this matter to provide safe drinking water to customers. To proactively meet stringent regulations regarding PFAS treatment, RPU is currently building out PFAS treatment systems, including facilities at the Palmyrita and Palm Meadows Water Treatment Plants and a potential facility at the JW North Treatment Plant.

RPU has received settlement funds to pay for a portion of the treatment projects and expects to pay the remaining capital and operating costs through a combination of debt and revenue from customer rates and charges. In this phase of the Study, we will develop water treatment surcharges to recover capital and operating costs for PFAS treatment from the appropriate customers. As the cost may change in the future as the facilities are constructed the treatment surcharge will be structured so that it is flexible and can be easily updated to reflect those changes.

Phase IX. Other Related Services

If other required services are identified during the Study Carollo will work with RPU to develop a detailed scope and budget based on the hourly rates included within this proposal.

All Phases: Stakeholder Outreach

Coupled with the analyses, Carollo will assist RPU staff in outreach to stakeholders, the Board of Directors, and the City Council to foster understanding of any proposed rate structure changes and why they may be needed. This step will be imperative because support from elected officials and ratepayers will be instrumental in developing an implementable cost-of-service and rate structure. Through our previous rate-setting work, we have become familiar with the RPU’s Board, the City Council, and stakeholders and their respective concerns.

Our team’s financial expertise, combined with intimate engineering knowledge of your system, allows Carollo to take our analysis further and provide you with detailed and supportable water rates based on the design and operation of the system. This approach ultimately provides equity and defensibility to the Study.



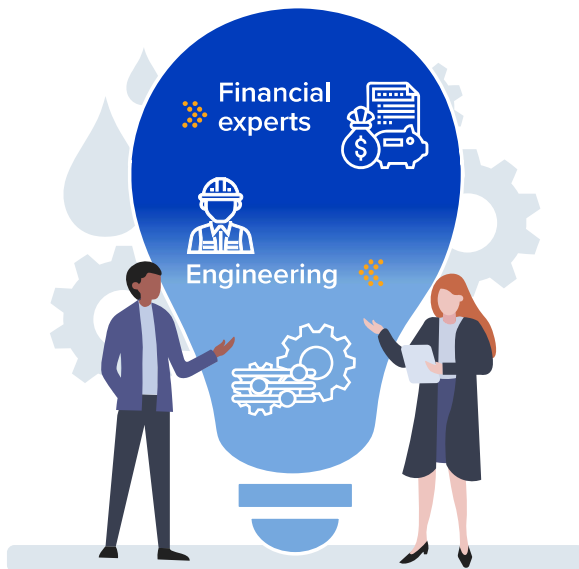
Study Approach

Carollo's approach is simple: understand your unique challenges, allocate costs in a fair and equitable manner, and keep stakeholders engaged throughout the process. It is an approach that has served our clients successfully and made us one of the leading rate consultants across much of the United States.

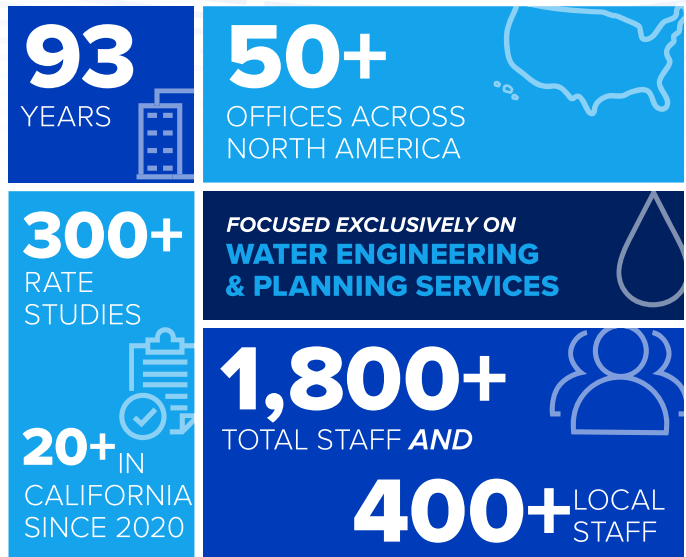
Combined Engineering and Financial Approach

Carollo's combined engineering and financial expertise differentiate us from other rate consultants. A rate study developed only from a financial perspective may provide an answer that achieves revenue sufficiency, but a truly complete rate study includes engineering expertise that helps justify the need for rates based on the underlying engineering and water supply assessment.

Carollo's engineering expertise allow us to understand the importance and gravity of the opportunities and challenges you face. Our financial capabilities provide a roadmap to meeting these goals. This combined engineering and financial framework is essential to achieving RPU's interdependent operational and financial goals in the rate study.



CAROLLO'S COMBINED ENGINEERING AND FINANCIAL EXPERTISE DIFFERENTIATES US FROM OTHER RATE CONSULTANTS. A rate or fee study developed only from a financial perspective may provide an answer that achieves revenue sufficiency, but a complete rate study includes engineering expertise that helps justify the need for rates or fees based on the underlying engineering assessment.



Fair and Equitable Cost Allocations

Rate studies are increasingly under public scrutiny. That is why it is important to have a trusted advisor with a proven track record of anticipating and responding to the most common and significant rate study pitfalls facing utilities today. It is not enough to simply avoid this scrutiny. Utilities must proactively prepare for and be ready to respond to it. Fair and equitable cost allocations form the foundation of Carollo's approach. Simply put, system usage determines system rates.

Carollo's approach has made us one of the most sought-after rate consultants in California, where the legal environment surrounding utility rates under Proposition 218 has become increasingly litigious. The development of a nexus between how costs are incurred and who receives the benefits is crucial to the cost-of-service process, and the burden of proof for this nexus falls on the utility.

Carollo's engineering-based approach focuses on this nexus and has been affirmed in the courts for its clear and defensible cost-of-service principles, something that most other rate consultants cannot claim.

Stakeholder Engagement and Collaboration

Only half of this project focuses on developing rates and charges. The other half involves getting buy-in from your key stakeholders, including your customers and City Council. Our team has extensive experience presenting complex concepts to elected officials, stakeholder groups, and the public. We understand the various perspectives that come into play during a rate study, ranging from occasional users to consistent users with large demands.

From project kickoff to final rate adoption, stakeholder engagement must be a priority.

Too many rate studies are developed in a vacuum with few opportunities for staff to provide input. Carollo prefers a collaborative approach that engages staff during the early stages of the project and keeps them engaged throughout the Study. **Carollo views this Study as an opportunity to collaborate with RPU and its stakeholders. In our experience, this philosophy results in a more successful rate study and garners more support from your customers.**

Project Management

Cost-of-service analysis and rate planning for an agency with RPU's breadth are complex undertakings. Rates need to support multiple varied capital and operational activities with diverse drivers and priorities, and stakeholders are actively engaged in the adoption and implementation process. These factors combine to necessitate a robust project management plan so that information can be gathered and shared efficiently, analyses can be completed accurately, and stakeholder concerns can be addressed in a timely and effective manner. Carollo's project manager, Alex Bugbee, has completed multiple studies for RPU and understands the challenges and key players involved. This will be essential to complete the project on schedule and within budget.

Initial Project Kickoff and Planning

At the start of the project Carollo will prepare a project plan to be discussed with RPU at the kickoff meeting. We will identify timing of the project milestones such as initial model completion, draft and final rate models and reports, and key outreach meetings and workshops. With those items in mind, we will refine the timing of major parts of the analysis. Having this defined roadmap will help us complete the individual rate and fee analyses methodically and review them properly with RPU staff.

Check-ins with RPU's Project Manager

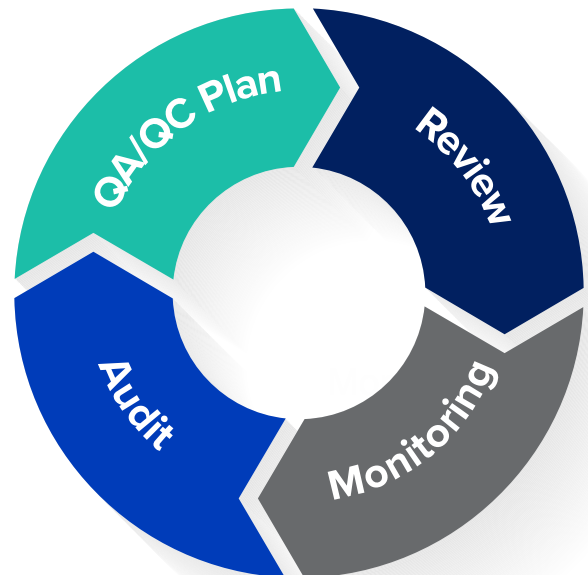
Carollo's project manager will regularly check in with RPU's project manager to review the project's status and work plan. Regular communication will allow Carollo and RPU to proactively address any issues that may arise to avoid impacts to the project's successful completion. These check-ins will also help manage project performance against the budget and defined scope, and identify and manage change orders as necessary.

Invoicing and Progress Reporting

Carollo will invoice RPU monthly for services rendered for work completed during the previous month. Each invoice will include a brief summary of the work completed during the subject month and any other information as required by RPU's policies.

Quality Assurance/Control (QA/QC)

Quality is integral to everything we do as an engineering firm. Because of the particular sensitivity of rates and fees, accuracy in the data analysis and fee calculation is imperative. To validate the accuracy of the calculated rates and charges, and to manage and control all documents created or used in the Study, our plan includes a layered approach to quality management. Each element of the project will be subject to a multistep QA/QC process as outlined in the image below.



In addition to these steps, Carollo uses a quality management tool to assign, track, and document all QA/QC activities. This tool allows the project manager to assign reviewers and deadlines for reviews of the Excel models, technical memoranda, study reports, and all other deliverables. Once the review is complete, the reviewer updates the tool, so the review is properly documented.

Schedule

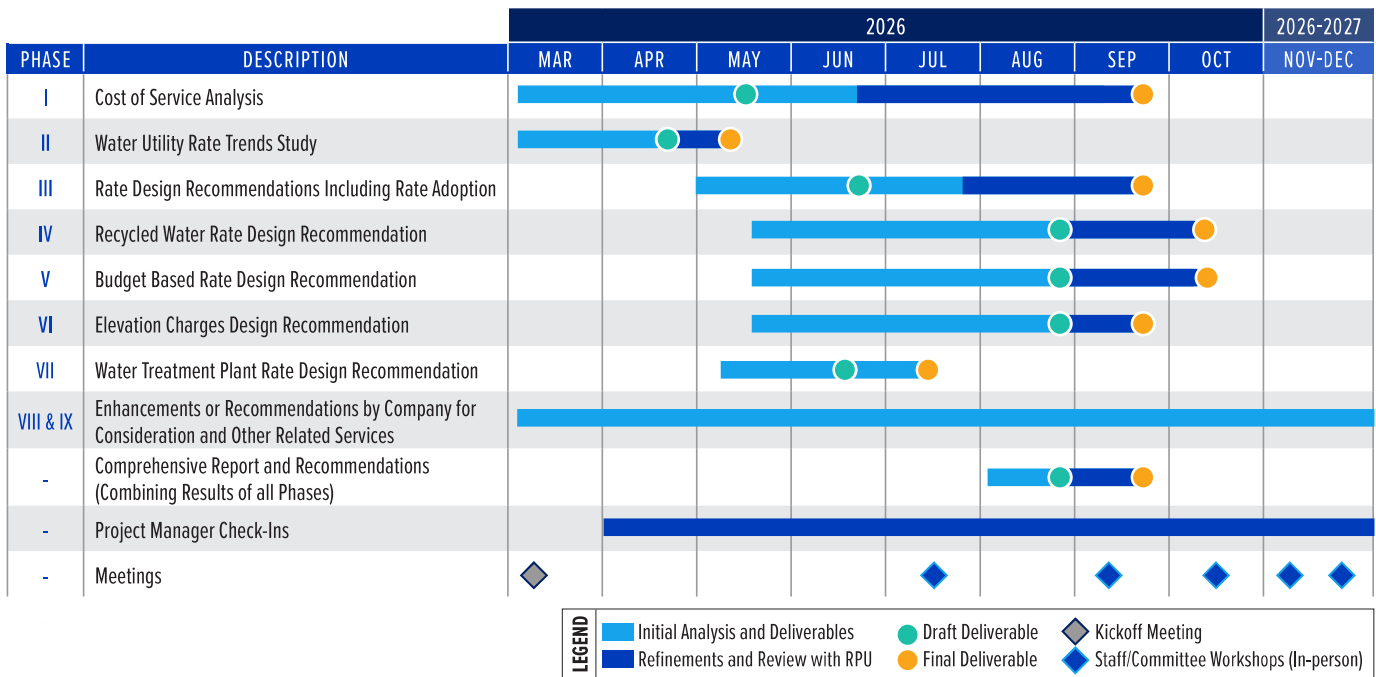
We are committed to addressing the proposed scope of work in a timely manner. Based on the materials provided by RPU, Carollo assumes that the project will start in March 2026 following award of the contract and notice to proceed. Our proposed project schedule is presented below. At the kickoff meeting, Carollo will work with RPU to formalize the project schedule, including delivery of key deliverables, meetings, and presentations. Once the schedule is finalized, we will meet all schedule milestones and complete the final rate studies no later than October 2026.

As demonstrated by our staffing plan, Carollo has the resources necessary to complete the Study’s according to RPU’s timeline. As a full-service engineering firm, Carollo can bring in additional staff as needed to achieve on-time deliverables. We also understand that needs may arise outside of planned schedules. Carollo will be available to address those issues promptly as directed by RPU.

The proposed schedule and sequencing for the analysis tasks reflects the information included in the RFP and our experience completing previous studies for RPU.

- After the kickoff meeting, the first tasks to be completed will be the Rate Trends Study, initial customer data analysis, and setup of the initial cost-of-service model.
- Next, we will develop the analysis for the water treatment surcharge and the initial draft rate design recommendations.
- After the draft rate design recommendations are completed, we will move on to develop draft recommendations for recycled water, budget-based rates, and elevation charges.
- Lastly, we will finalize all analyses and reports and assist RPU through the outreach and implementation process.

The chart below shows the estimated schedule for each project phase along with key milestones and participating team members.



Scope of Work

Carollo has developed a detailed scope of work based on the information provided in the RFP, lessons from our previous work with RPU, and our experience working on similar projects. The following sections detail activities anticipated for each stage of the Study.

Phase I. Cost of Service Analysis

Task A: COSA Model Development

Carollo will develop a tailored, user-friendly cost-of-service and rate model in collaboration with City staff. The model will include interactive dashboards with user inputs to enable quick and easy financial forecast results and rate design evaluations. In light of continued climate variability and changes to demand, the model will be used to provide greater understanding of revenue variability due to consumption behavior (conservation) and to conduct sensitivity analyses.

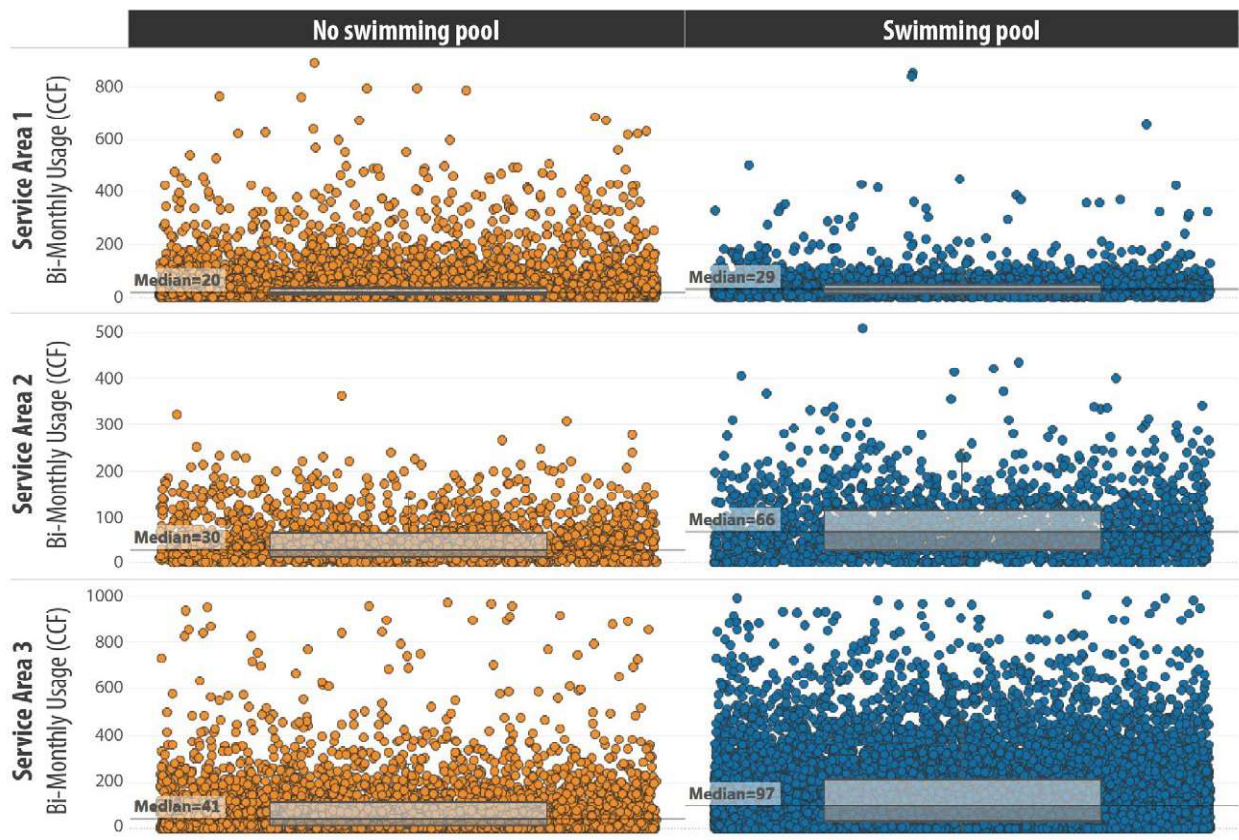
Following the completion of this study, RPU will receive a copy of the rate model, built within Microsoft® Excel. In addition to the familiarity gained during development of the model, Carollo will hold a training session with RPU staff to fully transition the model.

Following training, staff will be proficient in the model allowing quick and easy annual updates.

Task B: Customer Data Analysis

As with any data-driven analysis, our approach begins with gathering the necessary cost and historical consumption data to complete the cost-of-service analysis and rate design recommendations. Having disparate customer classes and rates, RPU's existing and historical revenue and billing data will be analyzed as a proxy for future projections and will provide a critical understanding of how your customers have modified water consumption based on the continued conservation efforts and drought awareness.

Carollo will conduct a statistical analysis of your past historical billing and consumption records. Because of the variable nature of the water demands and voluntary drought reductions, it is important to evaluate a multiyear trend and determine potential revenue



COST OF SERVICES BEGINS WITH UNDERSTANDING your customers and how they use the system. We will closely analyze your customer demands to quantify how each customer class is using the system. Additionally, this allows us to identify conservation opportunities for your customers and develop a more robust demand forecast.

lulls during low-usage years. We will examine the usage data and calibrate billing records against year-end financial records to prevent over or under estimation of RPU's customer base. This is a critical step in setting appropriate and sufficient rates.

We will develop consumption profiles from billing records that indicate usage patterns by customer class (residential, commercial, industrial, and wholesale customers). In addition to an analysis of each customer class, we will evaluate existing customer groups and propose additions or deletions of customer groups, as appropriate. Histograms and other charts will be developed for various customer class data to explore consumption patterns and potential tier breakpoints. Depending on the level of detail (data), full or simplified budget-based rates can be tailored to each parcel or grouped based on various lot sizes.

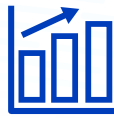
Task C: Embedded Cost Analysis

Before costs can be fairly and equitably allocated to various customers, it is necessary to fully understand how costs are incurred and how those expenditures may vary at different levels of customer demand. Carollo will conduct a cost analysis on an embedded cost basis and a marginal cost analysis. Generally, rates are defined on an embedded cost basis to recover sunk or fixed costs associated with the production or distribution of water.

Alternatively, marginal cost pricing defines the incremental cost to produce or supply the next unit of water. Carollo will work with RPU staff and our internal engineering staff to best understand how costs are incurred and which methodology is most appropriate based on operations and cost-of-service standards.

Task D: Rate Revenue Requirements and Functional Allocation

To develop a cost-of-service basis for future years, Carollo will establish revenue requirements for FY 2029 – FY 2038 and perform cost-of-service analysis based on the 10-year pro forma. The financial review and analysis will focus primarily on revenue sufficiency over both the short- and long- term perspectives. Revenue sufficiency will fund RPU's projected operating, capital, policy, regulatory, and asset management needs. Although budgets are



Revenue Requirement Analysis and Financial Forecast

Compares existing revenues of the utility to its operating, capital, and policy driven costs to establish the adequacy of the existing cost recovery levels.



Cost of Service Analysis

Identifies and apportions annual revenue requirements to functional rate components based on its application of the utility system.



Rate Design

Considers both the level and structure of the rate design to collect the distributed revenue requirements from each class of service.

prepared annually, it is essential to look long term to provide adequate funding of projects beyond the normal time horizon to mitigate potential rate shocks and account for the system's infrastructure needs. The revenue requirements analysis will be built using information provided by RPU including audited actuals and adopted budgets and/or projections for FY 2029 — FY 2038 provided by RPU staff. Annual revenue requirements will be determined on a cash basis in line with RPU's current practices.

After the revenue requirement analysis, Carollo will develop a cost allocation based on RPU's unique system and consider the American Water Works Association (AWWA) methodologies. The proposed allocations will be reviewed for conformance with established statutory regulations including California Propositions 218 and 26 and associated case law. Line-item expenditures will be allocated to customer service, base water usage, peak water usage (max day and max hour), supply sources, and fire protection.

The first step of the cost allocation process will be assignment of revenue requirements to functional categories. The cost allocation will include a classification of existing plant investments (assets) as well as projected CIP costs by major cost categories including treatment, reservoirs, pump stations, transmission mains, distribution pipelines, and meters. Ongoing costs including administrative, engineering, operations and maintenance, energy, distribution, debt service, general fund transfer, and reserve requirements will be functionalized to similar categories.

After the costs are assigned by function they will be assigned to rate components including customer service, base water usage, peak water usage (max day and max hour), supply sources, and fire protection.

As necessary to address specific customer factors or demands, Carollo will create additional cost allocation factors or customer classes. Finally, these costs will be assigned to fixed and variable categories to develop defensible monthly fixed charges and volumetric rates.

The purpose of this analysis is to define existing relationships and provide a logical rationale for either maintaining or modifying existing practices. Rate alternatives will be developed as part of a two-part process in the following phases. The analysis will:

1. Identify various direct costs included in RPU’s budget and make recommendations for any changes necessary to make sure direct operating costs are properly aligned with the appropriate service.
2. Prepare a standardized cost-of-service study, which demonstrates the costs of providing the different services using industry accepted practices for the functionalization, classification, and allocation of costs to customer classes, along with any recommended changes.
3. Verify that all costs have been allocated among property owners and customer service in a fair and equitable manner, and that the methodology used is documented and justified consistently with State law.

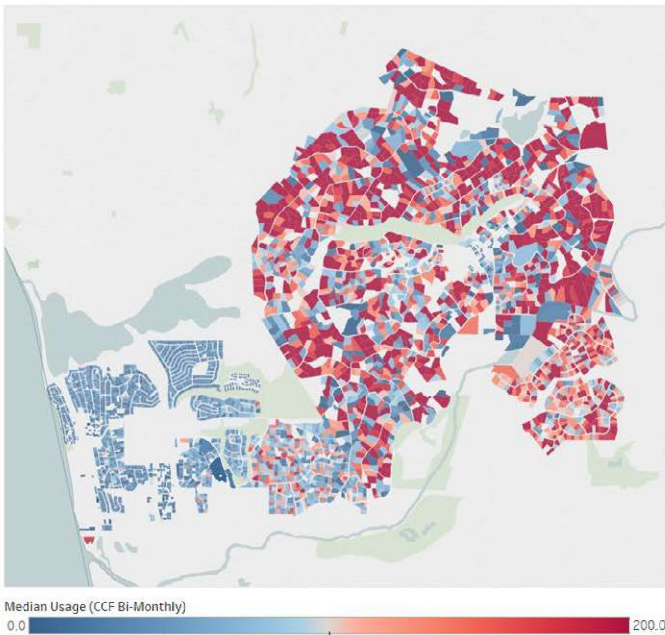
4. Develop functionalized costs and rate component unit costs so they can be used in the later phases of the Study to develop potable and recycled water user rates and fees.
5. The analysis and documentation will clearly explain all assumptions and supporting information used in the analysis such as, but not limited to, capacity factors by meter size, demand characteristics by customer type, and other utilized cost weighting factors.

Task E: Phase I Report

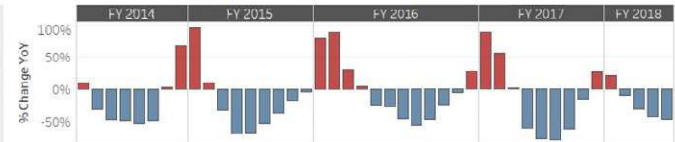
A discussion of the Phase I analysis will be included in the cost-of-service study report. This section will document RPU’s existing cost-of-service methodology and existing rate structure, as well as a summary of the detailed customer demand analysis. Following a meeting with RPU staff, comments on the draft report will be incorporated into a comprehensive final report.

The comprehensive report, incorporating Phases I, III, and IV, will serve as a key component of the administrative record supporting the proposed rates.

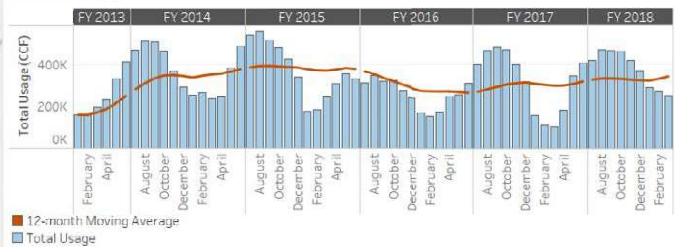
Usage by Parcel



Year-Over-Year Change in Usage



Total Usage



Top Users

Assessors Par.	Pool Label	Read Month					
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
268-351-1200	Swimming pool	1,182	2,122	1,963	1,311	1,430	1,909
267-090-3500	No swimming pool	879	2,664	2,125	1,122	853	609
267-080-0900	No swimming pool	850	1,955	1,951	956	266	283
268-290-4800	Swimming pool			682	903	820	1,097
268-171-0300	Swimming pool	360	1,128	1,151	714	872	936
268-280-2600	Swimming pool	567	820	912	1,040	428	563
266-102-3000	No swimming pool	734	926	982	721	365	448

OUR TEAM LEADS THE INDUSTRY IN DATA ANALYSIS FOR WATER AND WASTEWATER UTILITIES AND FINANCIAL STUDIES. Our approach uses several detailed methods to understand your system and your customer demands. This understanding will build the foundation of a successful rate study.

Phase I Deliverables

- Report section: Cost of Service Analysis.
- Presentation of Phase I results.
- Cost-of-service model.

Phase II. Water Utility Rate Trends Study

Carollo will provide an evaluation and analysis of emerging or expected future rate structures, technologies, and trends that might impact or influence future rate structures, including how water is priced and how those influences might affect or apply to RPU. The evaluation will also provide an overview of known or potential risks and costs associated with implementation.

Carollo has worked with many similarly sized and complex agencies in developing innovative rate structures that meet the unique needs of our clients. Complexity and sophistication must be balanced with stakeholder understanding and administrative ease and costs. We will meet with RPU staff to review and evaluate potential rate structure alternatives, such as budget-based rates, that promote an equitable allocation of costs among customer groups.

Task A: Review of Rate Trends

Regardless of existing drought conditions in California, industry-wide, utilities have pursued various rate structures, conservation measures, technologies, and public outreach to reduce water demands. At the same time, legal guidance pertaining to water rates has continued to evolve as new case law is established.

Each rate alternative has been met with various levels of success and risks. Carollo understands these trends and will guide RPU through this review to identify key rate structure features likely to promote policy objectives while retaining equitable cost recovery. It is important that rate structures are customized to RPU's unique cost and system profile. The review will provide an overview of rate structures used by municipal and investor owned utilities.

Carollo will develop an easy-to-understand matrix that outlines the results broken down by customer class and identifying pros and cons for short-, mid- and long-term implementation. The matrix will include:

- General pricing approaches (embedded and marginal cost analyses).
- Advantages and disadvantages of each rate structure alternative.
- Nexus between each rate structure and system costs and overall equity between customer classes.

- Effect of rate structures on revenue stability.
- Ability and effectiveness of rate structures to meet RPU's policy objectives.
- Potential for legal challenges.
- Administrative ease and technology requirements.

For each proposed rate structure, the matrix will illustrate both qualitative and quantitative advantages, including achievement of policy objectives and revenue risk. This approach allows RPU staff and stakeholders to choose the rate structures that best meet stated objectives and is critical in explaining the recommendations to the public-at-large. Issues such as added administrative costs, tie-backs to RPU's connection fees, and revenue impacts will all be indicated in this matrix for straightforward communication.

Task B: Rate Structure Alternatives

Any proposed adjustments to the existing rate structure will be evaluated and designed to generate sufficient revenues and improve equity, while being clear and easy to administer. We will meet with RPU staff to review and evaluate potential rate structure alternatives that promote an equitable allocation of costs among customer groups. Based on our past experience with creating and modifying various rate structures and managing disparate customer groups, we will guide you through this review. The review will address:

- Customer acceptance.
- Changes to customer demands.
- Cost of implementation.
- Barriers to implementation.
- Qualitative/quantitative risks, benefits, and costs.

Task C: Phase II Report

A draft and final version of a summary report will be prepared to present the findings of the Rate Trends Study. This report will document the emerging and expected rate trends as well as their potential applicability to RPU. Following a meeting with RPU staff, comments on the draft report will be incorporated into a final report. If desired by RPU, the rate trends report will be appended to the COSA Study report when it is complete.

Phase II Deliverables

- Report section: Water Rate Trends Study.
- Matrix of rate alternatives.
- Presentation of study findings.

Phase III. Rate Design Recommendation with Rate Adoption

Following discussion of ongoing industry trends, Carollo will work with RPU to outline and evaluate which rate structure elements are pertinent and most applicable to RPU. The discussion will focus on the rationale and assumptions necessary to provide a path to implementation. Any recommended changes will follow industry standards as set by AWWA, Proposition 218, and relevant case law.

Any changes to the existing rate design will consider the level of existing rates, social and economic factors of the community, expenses incurred in providing the service to different customer classes, and general RPU policies and objectives.

Task A: Customer Class Allocation

Using the results of Phase 1, Carollo will establish the costs attributable to each customer class. The calculated revenue requirements, based on RPU's 10-year pro forma financial model, will be allocated to each customer class based on the selected alternatives calculated demand, capacity, and treatment requirements by billable rate component. These billable components will likely include customer service, base water demand, and peak water demand (max day and max hour), as well as other necessary components identified during the Study. As various revenue and water demand projections are analyzed, the cost-of-service analysis will evaluate the impacts of these alternative scenarios. All proposed allocation methodologies will adhere to Proposition 218 requirements and sound cost-of-service rate-making principles.

Understanding the driving factors behind shifts in the proportion of costs recovered from each class will be essential. These shifts help define the underlying philosophy of the rate structure and must be clearly explained and presented to RPU's stakeholders. When the allocation process is complete, Carollo will compare the cost recovery from each class, by component, to that under the current rates. This will provide valuable insight into how and why the proposed allocations and rate structure will impact cost recovery by class.

Task B: Comprehensive Rate Design

Selection of the rate design influences every aspect of the cost-of-service analysis (i.e., conservation assumptions or implementation costs). As such, every component of the analysis must be revisited from the revenue requirements to the functional allocation, to

the demand forecasting. Based on the updated inputs, Carollo will re-evaluate the cost-of-service analysis to fully integrate and analyze the impacts of the proposed rate design. This will occur via user-friendly toggles to switch between existing and proposed cost allocations, rather than separate models.

RPU's current rates include a number of rate structure features, such as tiered single-family rates, seasonal factors, and various customer classes. We will meet with RPU staff to review and evaluate the current rate structures and potential alternatives, including budget-based rates. Based on our past experience with comparable water agencies, we will guide RPU staff and stakeholders through this review to identify key features likely to promote policy objectives while retaining equitable cost recovery.

The rate-setting process is not linear. As each item is addressed, the resulting impact on the revenue requirements and functional allocation process will be evaluated. Some key considerations are as follows:

- **Ongoing Water Rates** – Based on recent case law and legal challenges, it is critical to provide a cost-of-service basis for all water rates, including rate tiers. Specifically, for RPU, rate tiers can be substantiated by evaluating peak capacity requirements for the storage and pipeline systems as well as the availability of water from each of RPU's sources of supply.
- **Recycled Water Rates** – As RPU wishes to expand recycled water, Carollo will develop recycled water rates based on cost-of-service parameters in Phase IV, but accounting for potential changes in irrigation usage and the indirect benefit of recycled water to potable water users will be necessary in Phase III.
- **Drought Rates** – Carollo will develop cost-of-service based drought rates that will allow RPU to automatically implement the charges if drought conditions warrant. The rates will be based on water demand projections, including the impact of price elasticity. As these rates are cost-of-service based, they may be noticed as part of the normal Proposition 218 process, providing RPU future flexibility to implement the higher charges as necessary.
- **Fixed vs. Variable Revenues** – The analysis will include consideration of the need to recover fixed costs as RPU implements longer-term conservation measures. Each rate alternative, including drought rates, will be evaluated on its ability to promote conservation while providing revenue sufficiency.

Incorporation of other rate structure elements identified in Phase II, as appropriate, including decoupling, cost adjustments, and demand charges. Any proposed modifications will be addressed with RPU staff, the Board and Council, and key stakeholders.

Throughout the rate-setting process, Carollo will work hand-in-hand with the public outreach team to develop key messaging and rates that garner complete buy-in.

Carollo will prepare a rate design analysis that provides a clear, written overview of the basis on which the rates are calculated, including an analysis of rate classes to eliminate and/or add classes as appropriate. As part of this review, Carollo will:

1. Review composition and construction of all customer classes and recommend any changes (see customer data analysis).
2. Verify that the recommended rate structure complies with all laws, regulations, and agency policies, is documented, and is developed in compliance with Propositions 218 and 26.
3. Consider the level of existing rates, social and economic factors of the community, and expense to implement.
4. Determine fiscal impacts of demand reductions (mandatory drought restrictions), capital project funding requirements, compliance with reserves and debt covenants, and expansion of the recycled water program.
5. Address forecasted bill impacts of representative customers in each customer class.
6. Provide a sampling of a minimum of three usage patterns per classification (low, medium, high) showing the difference in bills under the present and proposed rate designs.
7. Provide rate comparisons of neighboring and comparable water utilities.
8. Develop a matrix that details the pros and cons of making a change, and make a recommendation based on the best and most appropriate approach.
9. Prepare and provide RPU a user-friendly rate model in Microsoft® Excel for the associated rates and fees necessary to provide potable water and recycled water programs that may be used by RPU on a going forward basis.
10. Evaluate revenues by customer class under the current rate structure and those under the proposed rate structure.

To account for the more detailed alternatives, Carollo will analyze the existing and planned infrastructure and system as it was designed and is being utilized to enhance equity and cost recovery. By creating a logical nexus between the infrastructure, its design, and use, Carollo can create a rate structure that complies with Propositions 218 and 26 and is easily understood and communicated to the Public Utility Board and stakeholders.

Carollo will calculate the proposed potable water rates. The proposed rate plan will provide five years of rates beginning with FY 2028/29.

Task C: Customer Impact Analysis

A key step in evaluating the proposed rate structure is analyzing its impact on RPU's customers. Carollo will conduct a customer impact evaluation comparing bills for users with different meter sizes and consumption levels in each customer class. Results will be presented in summarized tables and graphical outputs to communicate the proposed rates' implications to RPU stakeholders.

The analysis will also show impacts at the aggregated customer class level, clarifying any cost recovery shifts between classes. Carollo will summarize historical and projected fixed, variable, and total revenue by customer class in tables within the COSA model

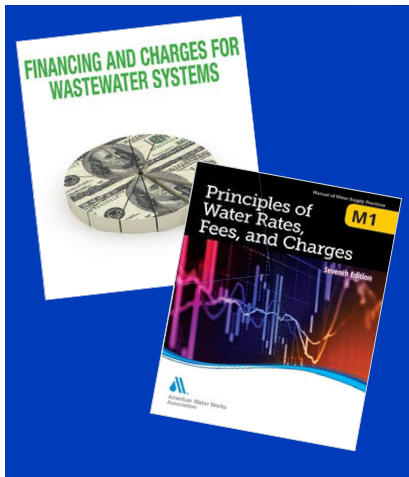
Up to three demand scenarios will be evaluated to test customer bills and total revenue. Results will be summarized in histogram charts and tables, categorizing users by class, consumption, bill impacts, or other factors based on RPU input.

Task D: Phase III Report

A discussion of the Phase III analysis will be included in the cost-of-service study report. This section will document the selection of the proposed rate structure, the methodology for calculating rates, and the customer impacts of the proposed rates. Following a meeting with RPU staff, comments on the draft report will be incorporated into a comprehensive final report. The comprehensive report, incorporating Phases I, III, and IV, will serve as a key component of the administrative record supporting the proposed rates.

Phase III Deliverables

- Report section: Phase III Findings.
- Customer bill impact analysis.
- Presentation of study findings.
- Rate calculation model (added to COSA Model from Phase I).



What Sets Us Apart: Industry Experts in Rate Studies

Over the course of many successful projects, our team has become a leader in cost-of-service rate design and financial planning for agencies of all sizes and in all regions. Our team regularly presents at national conferences and publishes in industry journals, placing us at the forefront of this ever-changing field. Financial Management Group (FMG) Lead Jennifer Ivey is active in industry associations, including the AWWA Rates and Charges Committee and WEF Utility Management Committee. She is also a contributing author for AWWA's updated Principles of Water Rates, Fees and Charges M1 Rates Manual and a reviewer of WEF's Manual of Practice 27: Financing and Charges for Wastewater Systems.

Phase IV. Recycled Water Rate Design Recommendation

The recycled water rate design analysis will follow a similar track as the potable water rate design, however several elements will be tailored specifically to recycled water. As a developing service line, RPU's recycled water system does not have the same amount of historical usage and customer data as the potable system. In order to develop cost-of-service based rates, the Study will need to develop detailed demand projections based on the specific customers expected to connect to recycled water and their assumed usage patterns.

Task A: Detailed Demand Forecasting

RPU currently has a limited number of recycled water customers whose demand patterns may not be representative of those of the ultimate recycled water customer base. In order to develop rates, Carollo will collaborate with the City and develop detailed recycled water demand projections that reflect the sizes and types of customers that RPU plans to connect to the recycled water system. The projections will also account for the timing of expected conversions to recycled water.

For converting users whom currently use potable water, Carollo will use the detailed customer billing records to evaluate historic demands on a monthly basis and develop seasonal projected demands for recycled water. For new users (those that do not currently receive service from RPU) annual demands will be estimated using RPU's planning information, and the seasonality of demands will be assumed based on the demand patterns of potable customers with similar characteristics.

Lastly, the result of the recycled water demand forecast will be incorporated into the potable

water demand projections to account for decreases in potable demands due to conversions of existing customers.

Task B: Customer Class Evaluation and Allocation

Carollo will evaluate RPU's existing and expected recycled water customers and work with RPU to determine whether recycled water users should be tracked and billed in a common customer class, or if they should be split into multiple classes based on how they utilize recycled water. For example, users could be placed into landscape irrigation, agricultural, and industrial categories, each with a specific rate reflecting their projected demand profile. If it is determined that multiple classes are appropriate, the recycled water revenue requirements will be allocated to each class of service based on their usage characteristics.

Task C: Recycled Water Rate Design

Using the results of Tasks A and B, Carollo will develop proposed rate options for recycled water users. We will begin with a review of typical recycled water rate structures and solicit feedback from RPU staff on their preferred rate structure components. We will also make recommendations on which structures would be most appropriate to support RPU's policy and financial goals and enhance ratepayer equity. Carollo will also consider Proposition 218 and industry best practices when developing the rate structure and make recommendations based on these considerations.

Finally, Carollo will present recycled water rate structure options to RPU along with their potential impact on customers, the administrative burden of implementation, and the stability of revenues. Further, the recycled water rates will compare fixed and variable revenue collection to the actual proportion of fixed and variable costs.

Carollo will prepare a rate design analysis that provides a clear, written overview of the basis upon which the rates are calculated, including an analysis of rate classes to eliminate and/ or add classes as appropriate. As part of this review, Carollo will:

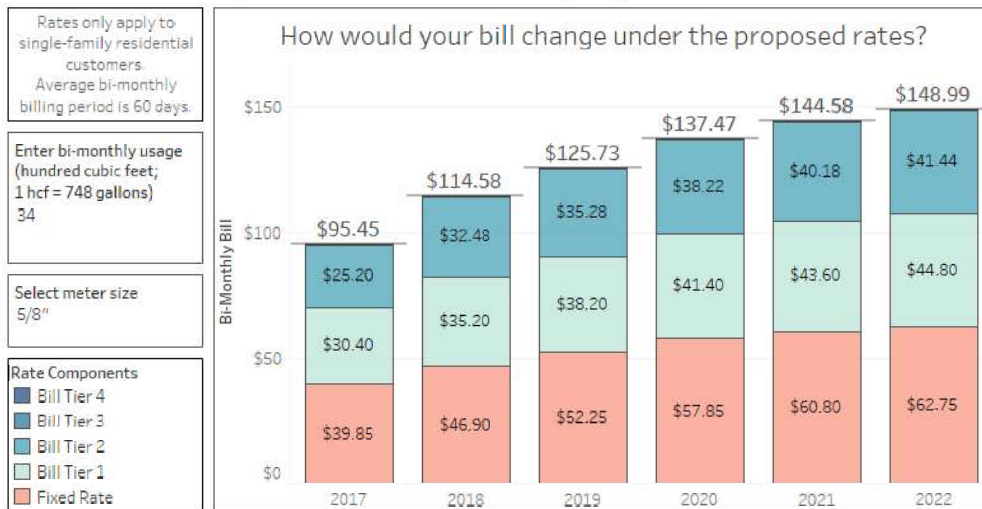
1. Verify that the recommended rate structure complies with all laws, regulations, and agency policies, is documented, and is developed in compliance with Propositions 218 and 26.
2. Consider the level of existing rates, social and economic factors of the community, and expense to implement.
3. Address forecasted bill impacts of representative customers of each usage type within the recycled water class.
4. Provide a sampling of a minimum of three usage patterns per classification (low, medium, high) showing the difference in bills under the present and proposed rate designs.
5. Provide rate comparisons of neighboring and comparable water utilities.

6. Prepare and provide RPU a user-friendly rate model in Microsoft® Excel for the associated rates and fees necessary to provide potable water and recycled water programs that may be used by RPU going forward.
7. Evaluate revenues by customer class under the current rate structure and those under the proposed rate structure.
8. Carollo will calculate the proposed recycled water rates. The proposed rate plan will provide five years of rates beginning with FY 2028/29 along with an implementation plan that considers revenue needs and customer impacts with a phase-in schedule if necessary.

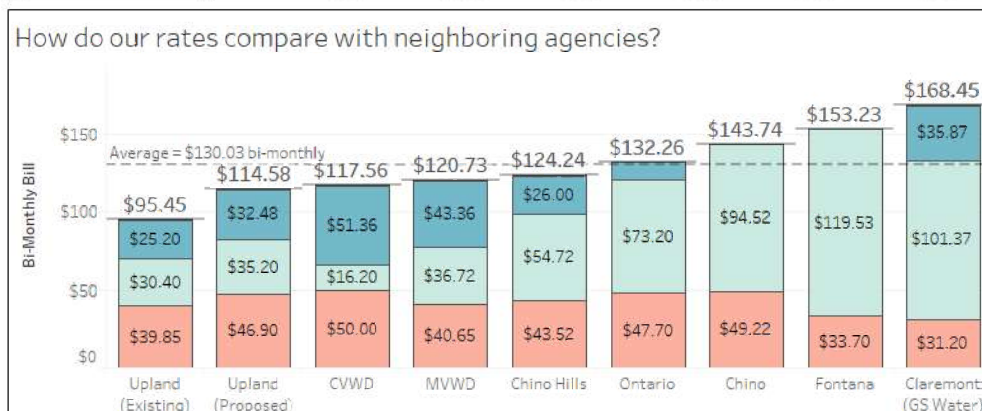
Task D: Customer Impact Analysis

A key step in evaluating the proposed rate structure will be analyzing how it impacts RPU's customers. For recycled water users, or potential recycled water users, this can be a powerful tool to show the cost savings associated with conversion to recycled water. Carollo will complete a customer impact evaluation that compares customer bills for users of various meter sizes and consumption levels. The results will be

Estimate your bill under the proposed water rates



PERFORMING A BILL SURVEY of peer agencies can provide clarity and perspective for customer bill impacts (Note: figures are for demonstration purposes only.)



included in summarized tables and graphical outputs so that they can be used to communicate the implications of the proposed rates to RPU's various stakeholders.

As directed by RPU, Carollo will complete a statistical analysis of all users impacted by the recycled water rate updates. This analysis would include incorporating the proposed rates into the analysis of customer billing data and calculating bill impacts on a per-customer basis. The analysis will evaluate up to 3 demand scenarios to test customer bills and the overall level of revenue generated. The results of the statistical analysis will be summarized in histogram charts and tables that categorize users based on class, consumption levels, percentage or dollar bill impacts, or other factors based on input from RPU.

Task E: Phase IV Report

A discussion of the Phase IV analysis will be included in the cost-of-service study report. This section will document the recycled water demand projections, selection of the proposed recycled water rate structure, the methodology for calculating rates, and the customer impacts of the proposed rates. Following a meeting with RPU staff, comments on the draft report will be incorporated into a comprehensive final report. The comprehensive report, incorporating Phases I, III, and IV, will serve as a key component of the administrative record supporting the proposed rates.

Phase IV Deliverables

- Report section: Phase IV Findings.
- Customer bill impact analysis.
- Presentation of study findings.
- Rate Calculation Model (added to COSA Model from Phase I).

Phase V. Budget-Based Rate Design Recommendation

Carollo will determine the structure of the Budget-Based Rate Design and which customer classes the Budget-Based Rate Design should be applied to. Carollo will provide an implementation path from the proposed 2028 rates and allocations to the development and implementation of a new Budget-Based Rates structure. The proposed rate structure will be designed to reflect RPU's specific system and customer characteristics to comply with Proposition 218 and exceed industry standards.

Carollo will identify revenue to be generated from fixed and variable charges compared to fixed and variable costs by customer class. Carollo will demonstrate that projected revenues from rates are adequate to cover

the projected revenue requirement in total and by customer class as reflected in Phases I and III. With any rate redesign, the proposed structure must be balanced with the impact on the customer. Carollo will address the bill impact of representative customers in each customer class and as necessary formulate appropriate methods to phase-in the rates to minimize rate shock.

Commercial Budgets

While Residential water budgets are growing in popularity with the ability to readily define indoor and outdoor needs, there are added complexities to implementing Commercial water budgets. Carollo will work with RPU to review, understand, and manage these challenges. As the COSA will reveal, commercial usage is heterogeneous. Once a decision is made whether or not to implement budget-based rates for commercial customers, Carollo can discuss various design alternatives ranging from complex (as implemented at IRWD) to simplistic (as being implemented at EMWD).

Task A: Water Budget Development

The first step in developing a budget-based rate structure is determining a methodology to set water budgets for each customer. The methodology must appropriately reflect the characteristics of each customer, the water supplies available to meet their demands, and the operational and capital burden of providing their share of system capacity and ongoing service, among other factors. Simultaneously, the budgets need to promote efficient and sustainable water usage while remaining compliant with Proposition 218 and associated case law.

To meet these objectives, Carollo will further analyze RPU's customer billing data, incorporating additional available information including lot sizes, available weather information from existing CIMIS stations, and other pertinent information as available. Based on the currently available data, Carollo will design the budget-based rates to include:

1. Tier 1 allotment based on per capital indoor needs.
2. Tier 2 allotment to reflect an outdoor need using evapotranspiration data (ET_o), irrigated area, and a landscape factor.
3. Additional tiers to reflect conservation and greater water supply costs.

Carollo will develop two options for proposed budget-based structures. The rate structure will also be designed to reflect the objectives outlined above. While each alternative will be designed for compliance with legal requirements, Carollo will also evaluate

other measures, such as customer understanding, ease of implementation, potential cost savings (versus cost of implementation), and customer impacts. Additionally, Carollo will identify other investments or activities that RPU would need to implement to sustain budget-based rates in the future. These could include installation of dedicated ETo stations, a detailed audit of customer lot sizes, continued monitoring of irrigable area, or enhancements to RPU's billing system.

Task B: Budget-Based Rate Requirements

After water budgets are established, they will be used along with the results of Phase I to develop budget rates. The unit costs per billable components will be used along with the usage per budget tier from Task A to calculate rates. Though significant changes to the Cost-of-Service Analysis are not expected in this step, minor refinements may be needed to align cost allocations with the selected budget methodology. The developed budget rates will aim to achieve the following:

1. Facilitate compliance with the state's drought restrictions.
2. Promote sustainable, efficient water use.
3. Provide customer equity.
4. Provide greater revenue stability.
5. Provide demand or restriction flexibility.
6. Allow for automatic adjustment with the Water Conservation Program.
7. Comply with current State regulations for indoor and outdoor demand.

A rate redesign should not be taken lightly and should provide RPU with ultimate flexibility and financial security. Carollo will also discuss emerging trends so that RPU is not only managing the existing issues but prepared to face future challenges.

Task C: Customer Impacts

A key step in evaluating the proposed water budget rates will be analyzing how it impacts RPU's customers. Carollo will complete a customer impact evaluation that compares customer bills for users of various meter sizes and consumption levels for each customer class. The results will be included in summarized tables and graphical outputs so that they can be used to communicate the implications of the proposed rates to RPU's various stakeholders.

As directed to do so by RPU, Carollo will complete a statistical analysis of all users impacted by the water rate updates. This analysis would include incorporating the proposed rates into the

analysis of customer billing data and calculating bill impacts on a per-customer basis.

The analysis will evaluate up to 3 demand scenarios to test customer bills and the overall level of revenue generated. The results of the statistical analysis will be summarized into histogram charts and tables that categorize users based on class, consumption levels, percentage or dollar bill impacts, or other factors based on input from RPU.

Task D: Fiscal Impacts

Once the budget-based rate structure has been completed, Carollo will apply the structure to the projected customer demands to determine the baseline revenues by class. The calculation will be built with flexibility to test the fiscal impacts of changes in usage patterns including:

1. Mandatory drought restrictions.
2. Changes in customer water use.
3. Significant change to the revenue.

Task E: Implementation Plan

With the rate structure and its administrative and data requirements identified, Carollo will work with RPU to determine a timeline and transition plan for implementing budget-based rates. The Plan will outline the requirements and timeline for implementing budget-based rates including identifying billing system requirements, collecting customer account information, and including weather data in the billing structure.

Task F: Phase V Report

A draft and final version of a summary report will be prepared to present the findings of Phase V. This report will document the development of water budgets, water budget rate calculations, customer and fiscal impacts, and the implementation plan. Following a meeting with RPU staff, comments on the draft report will be incorporated into a final report. If desired by RPU, the rate trends report will be appended to the COSA Study report when it is complete.

Phase V Deliverables

- Report section: Phase V findings.
- Customer bill impact analysis.
- Presentation of study findings.
- Budget rate calculation model (added to COSA Model from Phase I).

Phase VI: Elevation Charges Rate Design Recommendation

RPU's potable water system serves users over a broad range of elevations, as such the distribution system is designed with multiple pressure zones. Because all potable water enters the distribution system at a common elevation after blending at the Linden-Evans reservoir, the cost to provide service increases incrementally with each pressure zone's elevation as additional infrastructure and energy costs are incurred to move water to higher elevations. This phase will evaluate elevation charges that RPU could use to target the recovery of pumping costs to each pressure zone.

Carollo will work closely with the City's engineering staff and evaluate the additional costs to pump the water above the normal pressure zone and project the higher elevation O&M costs for the Study.

Task A: Customer Data Analysis

Carollo will incorporate the RPU provided pressure zone information into the detailed customer billing data analysis completed in the earlier phases. The combined dataset will be used to summarize monthly usage for the last three fiscal years by pressure zone and customer class. The data will then be used along with the existing demand forecasts to forecast usage by pressure zone, season, and tier (where applicable).

Task B: Pumping Cost Allocations

Carollo will work closely with the City's engineering staff and evaluate the incremental fixed and variable costs to pump the water to each pressure zone. Carollo will expand the cost-of-service and functional allocations to assign pumping costs to the pumping category first and then to each defined pressure zone. The allocations will be based on the historical costs per pressure zone provided by RPU and applied to the projected costs from the pro forma and cost-of-service analysis completed in earlier phases. Based on the information available, Carollo will test up to two allocation options: (1) allocate costs to each specific pressure zone and (2) allocate costs to consolidated pressure zones based on the highest pumped grade line and/or the specific pump stations serving each zone.

Task C: Elevation Charges Rate Design

Carollo will develop elevation charge rate calculations for each defined pressure zone based on the allocated costs and projected usage by pressure zone. All other rates will also be adjusted to reflect the separation of pumping costs into the elevation charge rates.

We will work with the City to review and determine the optimal structure of the elevation charge that is fair and equal. Carollo will make sure that projected revenues from these charges are adequate to cover the projected revenue requirement as shown in the Water COSA. The analysis will consider fixed charges per MEU by pressure zone to recover fixed infrastructure costs and variable charges to recover energy costs. Incorporating appropriate fixed and variable revenue recovery as well as the ability to easily adjust the rates will help to provide revenue stability if water use decreases or energy costs increase more than initially anticipated.

Carollo will also work with RPU to develop an implementation strategy for the elevation charges if RPU elects to move forward with them. This will include developing a phase-in approach if necessary based on customer bill impacts and considering billing system or administrative changes that may be needed to incorporate the charges.

Task D: Customer Impact Analysis

Carollo will also evaluate and complete a customer impact analysis that compares customer bills for each customer class. The detailed bill impact frequency analysis will rely on the usage frequencies by meter size developed for previous phases and assume that usage patterns by meter size are consistent among the pressure zones. This analysis will be included in Phase III, Task C and presented in tables and graphical outputs so they can be used to communicate the implications of the proposed elevation charges to RPU's various stakeholders.

Task E: Phase VI Report

The Phase VI analysis will be a separate section in the cost-of-service study report. This section will document the selection of the proposed rate structure, the methodology for calculating rates, and the customer impacts of the proposed rates. After a meeting with RPU staff, comments on the draft report will be incorporated into a comprehensive final report.

Phase VI Deliverables

- Report section: Phase VI findings.
- Customer bill impact analysis.
- Presentation of study findings.
- Elevation rate calculation model (added to COSA Model from Phase I).

Phase VII: Water Treatment Plant Rate Design Recommendation

RPU has identified the need for up to three new water treatment facilities to meet anticipated PFAS maximum contaminant levels. Because the capital and O&M costs are incremental to RPU's historic water supply operations and driven by regulations, this phase will explore a separate water treatment rate structure to recover costs from appropriate potable water users. The rate will be assessed as an incremental volumetric charge and may include an incremental fixed charge based on meter size. The water treatment rate analysis will use customer data analysis from preceding phases.

Task A: Water Treatment Cost Analysis

Working closely with RPU, Carollo will identify and project the costs for new water treatment facilities including fixed and variable capital, O&M, and repair and replacement costs. The projections for the Study will determine the annual revenue requirements for water treatment and consider the settlement revenues and other sources of funds that will offset the amount to be collected from users. The projections will be set up in a flexible module within the greater rate model so that RPU can easily update and refine them as needed in the future.

Task B: Develop Water Treatment Rate Structure

Carollo will develop potential water treatment rates based on the identified water treatment revenue requirements and the potable water demand projections developed for the preceding phases. The recommendations will be structured to comply with California Propositions 26 and 218, and if applicable, utilize methodologies approved and recommended by the American Water Works Association. The analysis will also consider the true fixed and variable components of the costs so that rates can provide a reliable source of revenue for water treatment and mitigate the risk of revenue shortfalls.

Task C: Customer Impact Analysis

Carollo will also incorporate the water treatment rates into the customer impact analysis that compares customer bills for each customer class. The detailed bill impact frequency analysis will rely on the usage frequencies by meter size developed for previous phases and assumes that use patterns by meter size are consistent among the pressure zones. This analysis will be included in Phase III, Task C and presented in tables and graphical outputs so that they can be used to communicate the implications of the proposed water treatment rates to RPU's various stakeholders.

Task D: Phase VI Report

Phase VII analysis will be a separate section in the cost-of-service study report. This section will document the selection of the proposed rate structure, the methodology for calculating rates, and the customer impacts of the proposed rates. Following a meeting with RPU staff, comments on the draft report will be incorporated into a comprehensive final report.

Phase VII Deliverables

- Report section: Phase VII findings.
- Customer bill impact analysis.
- Presentation of study findings.
- Water Treatment Rate calculation model (added to COSA Model from Phase I).

Services Across All Phases

The following items will be completed during all phases of the Study. As such, estimated labor hours and costs for these items are included in the proposed fee for Phases I through VII.

Task A: Project Management

Carollo's project manager and principal-in-charge will work together to keep the Study scope, schedule, and budget on track, coordinating with RPU staff as needed. Carollo will submit monthly invoices to RPU for work completed to date. Carollo's project manager and appropriate RPU staff will take part in weekly meetings to review progress and address project issues. The consultant project manager will keep meeting minutes including action items for Carollo and RPU staff and include meeting minutes in weekly status reports.

Task B: Outreach and Public Engagement

In all phases of the project, Carollo will provide assistance for outreach, public engagement, and education for the public, City staff, the Board of Public Utilities, and City Council. This includes gathering information on desired water rates within the City, providing cost-of-service and rate design education, materials, and RPU's outreach efforts.



Task C: Confidentiality of Project Information

Carollo and its assigned staff working for RPU on this project will keep confidential all information they learn about RPU's water facilities and electronic systems.

During the project, Carollo will make provisions to secure all project records and destroy all drafts. After the project, the Consultant will be expected to return to RPU or destroy all documents obtained from RPU or generated during the course of this project.

Task D: Training



Carollo will provide training to RPU staff to update, maintain, and analyze the Water Utility cost-of-service analysis and rate design software or models. The project budget includes time for two 3-hour training sessions to be conducted virtually to familiarize RPU staff with the model's functionality, inputs, and calculations. It will also include instruction on how to update the model with new financial, customer usage, or other pertinent information. Carollo will also provide a brief user guide for the model.

Task E: Final Report

Based on the rate structure elements that are ultimately proposed, Carollo will combine the applicable final results of each Phase into a consolidated final report to serve as the administrative record.

Phase VIII: Other Related Services

Carollo has identified the following other related services that will be necessary to complete the project.

Task A: Rate Hearings

Carollo will assist RPU with the approval process for such rates including preparing testimony and materials for rate hearings and presentations to the public, the Board of directors, and the City Council, as directed by RPU. The proposed budget includes rate hearing costs on a per meeting basis. The total project budget will be dependent on the number of public meetings that are needed, as determined by RPU. The proposed budget assumes 5 in-person meetings to be attended by Carollo.

ITEM #3

EXHIBIT D - Agreement Exceptions Summary Form

The City's standard Professional Consultant Services Agreement is attached to the RFP. The terms of this agreement are the City's preferred contract terms. Any exceptions to the terms of the attached agreement shall be included in Company's proposal and shall include specific changes in the agreement language. **The City has no obligation to accept any exception proposed by Company.**

List and clearly explain any proposed exceptions, including any requested modifications, to the Sample Agreement in the table below. The City does not guarantee any proposed exceptions will be accepted. No exceptions to the insurance or indemnification terms of the Agreement will be accepted.

The City Agreement Reference	Brief Explanation of Exception/Modification	The City Acceptance
<i>(Reference specific outline point to which exception is taken)</i>	<i>(Short description of exception/ modification being made)</i>	<i>(City to sign here only if accepted)</i>
1. 11.1	Remove Entirely.	
2. 11.2	Revise heading to read "Defense Obligation".	
3. 11.3	Revise heading to read "Indemnity".	
4. 11.4	Remove Entirely.	
5. 11.5	Remove Entirely.	

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6. New section 11.6 & 11.7	11.6 Warranties and Damages. Consultant shall not be responsible for warranties, guarantees, fitness for a particular purpose, breach of fiduciary duty, loss of anticipated profits or for economic, incidental, liquidated, or consequential damages to the City or any third party arising out of breach of contract, delay, termination, or for any other reason whatsoever. Additionally, Consultant shall not be responsible for acts and decisions of third parties, including governmental agencies, other than Consultant's subconsultants, that impact project completion and/or success. Additionally, Consultant's services hereunder do not include providing legal advice and/or a legal determination as to whether current rates and/or proposed future rates are in accordance with Proposition 218 and/or any other law and/or regulation related thereto.	
7. New section 11.7	Limitation of Liability. Except as to claims for personal injury or property damage, Consultant's total aggregate liability hereunder, due to any cause and/or reason, is limited to the total compensation paid to Consultant hereunder.	
8. New section 35	Third Parties. The services to be performed by Consultant are intended solely for the benefit of the City. No person or entity not a signatory to this Agreement shall be entitled to rely on Consultant's performance of its services hereunder, and	
	no right to assert a claim against Consultant by assignment of indemnity rights or otherwise shall accrue to a third party as a result of this Agreement or the performance of Consultant's services hereunder.	

EXHIBIT "B"
COMPENSATION

EXHIBIT “C”

KEY PERSONNEL

Company Personnel

Carollo offers a team of financial rate-setting experts with the tools and firsthand experience to deliver comprehensive rate and cost-of-service analysis for the City of Riverside and its stakeholders.

Purpose-Built Team with the Right Experience to Deliver Results

A successful project team must demonstrate practical and relevant experience in all technical aspects of the project, provide a well-conceived work plan and project approach, and commit to the project goals. As shown in the organization chart below, we have handpicked a dedicated team of individuals with unwavering commitment and availability to complete your project successfully.

Cost-of-service analysis and rate designs for public water and wastewater utilities are, by nature, complex and require collaboration and input from

the City throughout the process. Carollo's project manager, Alex Bugbee, will serve as the primary point of contact and will route messages to the appropriate members of the Carollo team or assign them to communicate directly with the City of Riverside on certain aspects of the project as needed. He will provide regular updates and alerts to any anticipated analysis, budget, or schedule challenges so they can be managed proactively.

The success of this project lies in the experience and abilities of the project team members featured in the following pages. Resumes detailing each team member's experience, licenses, and certifications are provided in the Appendix.



** PE licensed outside of California*