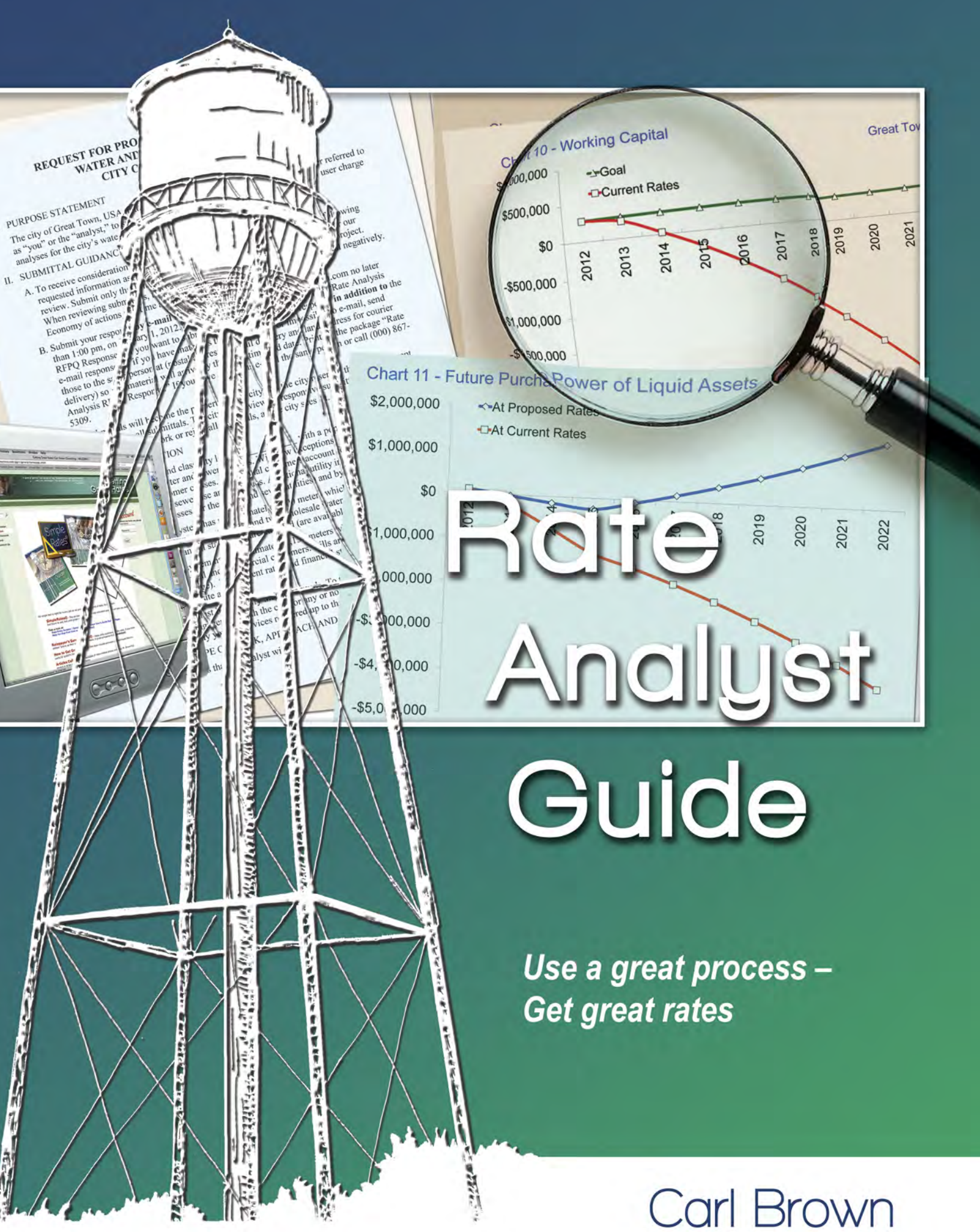

Rate Analyst Guide

Use a great process –
Get great rates

Carl Brown

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To download this title on-line visit: www.gettinggreatrates.com/.

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About this Guide

Adequate and fair utility rates happen because someone who knows how to calculate and promote them did it. Most years this task will be a do-it-yourself affair. However, once every five years or so, it is a good idea to get help from a rate analyst to get back on track. Finding the right analyst is the key to this phase. That is easy, when you go about it right. This guide will show you how.

Target audience for this guide:

- Elected officials, decision-makers and staff

Secondary audience:

- Agency and association-employed assistance providers and trainers

About the Author

Carl Brown is President of Carl Brown Consulting, LLC and GettingGreatRates.com. A utility rate analyst since 1991; Mr. Brown also trains and speaks to 500 or so people each year around the U.S. on rate setting and related issues.

Mr. Brown is the creator of several do-it-yourself rate calculation and related programs like SimpleRates© and ReplacementScheduler©. Mr. Brown writes numerous articles for various publications. He wrote the book, "How to Get Great Rates." And Mr. Brown's firm provides rate analysis through the RATES Programs of several state rural water associations.

All of Mr. Brown's services and tools are available at www.carlbrownconsulting.com/ and www.gettinggreatrates.com/.

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Introduction

"Great rates[1]" do not spontaneously appear. They are created by someone with skills required by the situation at hand. Even then they won't happen unless they are "sold" to decision-makers[2] and ratepayers[3] effectively.

Make no mistake about it, even great rates must be sold. They are always higher than ratepayers want to pay. They always generate more complaints than decision-makers want to hear. They are needed everywhere and with few exceptions, systems just don't have them right now. That must change.

This guide first lays some groundwork for getting great rates – why, when and how. You really should read the guide from front to back. But, if you want to skip right to the action plan, go to the Rate Analyst Acquisition Procedure section that starts on page 8. This section lists the steps for how to get a great rate analysis at reasonable cost with little risk of bad things happening.

Background

Great rates should be your goal. Rate analysts are but one tool to help you reach that goal. Use them only when needed. There are other tools and strategies useful in getting great rates, too. Success will happen when you match the tools and strategies you use with the situation at hand. Which tools you use will largely be dictated by the size of your utility, present and expected conditions in the community served and the utility serving it, and how recently the last rate analysis[4] or rate study[5] was done.

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[1] Great rates are rates that are adequate to fill all the short and longer-term needs of the system, they are structured fairly for the ratepayers and they are appropriately simple or complex.

[2] Decision-makers are generally the elected officials of cities, districts and utilities who have the final say in decisions and policy-making. In the case of private systems, utility commissions are also decision-makers. Senior managers in large systems have substantial decision-making power, as well.

[3] Ratepayers or sometimes their properties are also called customers, users or connections.

[4] Rate analysis or comprehensive rate analysis is a thorough examination of all issues that will affect the system for a substantial period, usually five to 10 years, in order to arrive at great rates.

[5] A rate study includes at least the rate calculations needed to determine adequate rates for at least one year. It may or may not include the other attributes of a rate analysis. Therefore, a rate study is one part of a rate analysis.

You should hire a rate analyst for big increases, here called initial[6] rate adjustments, and rate restructuring. If you have been raising rates over the years you may not need a large increase now but you probably still need mild to dramatic restructuring. The bottom line is this. Right now your rates are probably too low by at least 20 percent and unfairly structured. That is a financial upset, and maybe a lawsuit, just waiting to happen.

A thorough foundation for rate setting can be found in the "Ratepayer's Survival Guide" and in numerous articles and tools on rate issues. All of these are free. In addition, the book, "How to Get Great Rates" covers issues in detail. All such tools are available on the author's Web sites.

Initial rate adjustments should be followed in subsequent years by incremental[7] rate increases that will be small (usually three to five percent per year). These are usually across the board inflationary increases made to allow revenues to stay on track with costs as they inflate over time. Such increases don't usually address rate structure fairness but rates will remain fair enough through several rounds of such increases. The nice thing about these increases is you can do them on your own quite easily.

It is important to note that, while some utilities are public[8] and some are private[9], rate adequacy and fairness are the same important issues for all utilities. Public versus private simply determines the "hoops" through which you must jump to arrive at such rates. Fortunately, both types of systems can acquire rate analysis services in the same way. Unfortunately, private rate setting, which is governed by state utility commissions, is a long, drawn out and expensive affair.

To Hire or Not to Hire, That is the Question

Do you need a rate analyst? Or will do-it-yourself get the job done? It is risky to give you rules of thumb for making this decision, but you have to start somewhere so start with these decision criteria:

1. You had a rate analysis done recently

If your system had a good rate analysis done in the last several years and conditions predicted by that analysis are still valid, you do not need a new rate analysis right now. You just need to follow the recommendations in the analysis report for making incremental rate increases on your own. You can also use the methodology explained in a chapter of "How to Get Great Rates" for making such increases. Continue this strategy until the conditions predicted by the previous analysis diverge too far from current conditions to allow you to make simple calculations and adjustments. At that point, you need to get a new rate analysis. This will probably occur in about the fifth year.

2. You would rather risk having bad things happen than pay for an analysis

Rate analysis almost eliminates the risk of setting rates wrong. But the reality is, some systems either cannot afford to buy such risk reduction, or they will simply choose not to.

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[6] "Initial" just means the first adjustment made after a rate analysis is done. This adjustment enables the system to bring in enough money as well as set rates that are fairly structured.

[7] Incremental rate increases are those done during the years between comprehensive rate analyses. They are usually small, across the board increases.

[8] Public utilities are those owned by cities, districts and similar local governments. With the exception of a few states, they are not regulated by utility commissions. Public utilities are regulated by ratepayers and voters in that elected boards and councils set their rates.

[9] Private utilities are those regulated for rate setting and other purposes by a utility commission, public service commission or similar state agency. Except for the fact that a utility commission is involved in private system governance, rate setting issues are substantially the same for private systems, so this guide applies to them except for a few technical issues.

If your system has fewer than 200 connections and the downside risks are not onerous, cost avoidance makes sense. As a small system you are used to accepting risks because that just comes with the territory of being small. Just don't go into it blind or get reckless.

Young, healthy people are often inclined to "risk it" rather than pay a known health insurance premium. In the same way, small utilities are more inclined to risk calamity than pay a known fee to reduce that risk. The strategy is logical.

By the way, a big risk in do-it-yourself rate setting is setting rates lower than a rate analyst would recommend and get for you. In fact, that risk is almost a certainty so by avoiding small rate analyst costs, you might also miss out on collecting vastly more revenue. That said, right now no one is better positioned to make this decision than you.

3. Even if your system is small, don't go cheap on this risk

There is one time when forgoing rate analysis is absolutely NOT OK. When you are going to do a major capital improvement in a few years, the risk of big, long-lasting mistakes (high debt service, perhaps for an unnecessarily expensive improvement that locks in a constraining future trajectory) is so great that you need the insurance of a rate analysis to guard against calamity. Don't cut rate analysis corners when big dollars are at stake. Too many systems are paying dearly, pretty much forever, for having done that. By the way, litigation over rates and pricing for wholesale supply agreements fall into this category, too.

Now we come to the grouping of rules that cover most systems.

4. You need a rate analysis because two or more of the following issues are in play:

- ✔ Your system serves over 200 connections (especially those over 1,000 connections), and
- ✔ You are going to do a big capital improvement soon, or
- ✔ Your rate structure is out of whack, or
- ✔ You have many commercial customers, or any special agreement customers, or
- ✔ Your growth rate is either fast or negative, or
- ✔ You have low reserves, or
- ✔ You haven't had a comprehensive rate analysis done in the past five years, or
- ✔ You don't know what some of this means or how to prove to a doubter that your rates are actually in good shape and structured fairly.

In these situations rate analysis makes sense because it will show you how to make your rate structure fair and it will pay for itself in extra revenues generated. If you want more on how rate analysis pays for itself, read the next section. If the previous discussion was convincing enough, skip to the Expected Cost of Analysis section.

Return on Investment

Utility decision-makers and managers are in the business of investing their customers' money. As an investor you should always keep *return* on investment in mind. Unless you choose the do-it-yourself option, you will pay for rate calculations or an actual rate analysis. Therefore, you can do a return on investment calculation for those services. Of course, you also should consider non-financial returns that each alternative will yield.

There are four basic returns to consider:

1. **Reduced risk of bad things happening:**
   - You may set rates too low if you do it all by yourself.
   - You may get sued over rates if people can't stand them.
   - You may have rate disputes with wholesale, special or large commercial customers.
   - You might make ratepayers so mad about a rate increase that they vote down a much needed bond issue later on. The bond issue doesn't even have to be related to the utility – voters can hold grudges.

   Bad things happen sometimes when you set rates improperly. That is somewhat likely to very likely if you do it yourself. It is unlikely if you use a rate analyst. Risk can lead to expensive outcomes so there is value in risk avoidance.

2. **Fairly structured rates – All ratepayers deserve fair rates.** If you do rate calculations yourself, someone is bound to think you "had it in for them." If you use a good rate analyst, that is unlikely. What's more, the analysis will provide the proof of rate structure fairness and help to "sell" the rates.

3. **Appropriately simple or complex rates** – This means rates that match the nature of your users:
   - If your system serves a small, uniform, single-family residential community, you only need one set of rates. Those are often a do-it-yourself affair.
   - If your community has "snow-birds," commercial and wholesale customers, rapid growth and a need to either conserve water or encourage its use, you need several user rate structures, connection fees that will help the system pay for new infrastructure and perhaps some surcharges to cover special costs. Complex situations require a deep level of analysis and a robust "sales job."

4. **Adequate rates –** Rate adequacy is actually the easiest problem to solve, but most systems have not done that yet. Adequate rates are high enough to:
   - Pay all the known short-term system costs,
   - Pay most long-term and unplanned costs,
   - Pay for capital improvement and debt costs,
   - Pay for equipment repair, refurbishment and replacement (R&R) costs, and
   - Build prudent reserves.

The first three returns on investment described above are very important, but hard to measure in dollars. However, the return on investment can be calculated for Item 4 quite easily. Consider this example.

If your rate analysis will cost $5,000 and it is estimated to enable the system to increase rates initially by $50,000 more than the do-it-yourself option, that is a 10-fold marginal return, or a marginal return on investment rate of 1,000 percent. Future incremental increases are all but certain, too. However, to keep it simple just consider the initial revenue increase which will continue year after year. In the second year the return on investment rate of the initial increase will be 2,000 percent. In the fifth year it will be 5,000 percent. At this rate of return it will take one-tenth of a year's worth of the extra revenues (about five weeks) to pay the analyst's fees. After that, compared to the do-it-yourself option, you are making "profit" for almost five years by getting such an analysis and rate setting assistance.

Generally the return on investment rate grows rapidly as system size goes up. The above example describes a fairly small system. A large system is more likely to enjoy a 25,000 to 75,000 percent five year return on investment rate for getting a rate analysis. Compare this return on investment with any other investment opportunity your system has.

Expected Cost of Analysis

First, some basic pricing theory.

Some analysts employ a strategy of making as much money as their clients are willing to pay. In market-speak, that is called, "what the market will bear." That pricing strategy tends to shrink the pool of potential clients from the bottom up. Small utilities simply cannot afford to pay as much for rate analysis as big utilities so they are priced out of the market. If you have ever heard a contractor or consultant lament that they "left money on the table" after offers were revealed, that shows that they follow the "what the market will bear" pricing approach. None of this is a disparagement of this strategy – it's pure capitalism.

Other consultants, the author included, use a pricing strategy that will yield a target return on investment rate for the client. This approach is often called "value-based pricing" because it seeks to yield a target value to the client rather than maximize profit to the consultant. This pricing strategy tends to grow the client pool.

Regardless of the pricing strategy used, all analysts must at least cover their costs. The following discussion focuses mainly on costs and only slightly on profit.

You can get what you pay for. If you don't watch out you can get less than what you pay for. But you can only get more than what you pay for if the seller makes a mistake. When it comes to rate analysis, you don't want the seller making mistakes. To get great rates, aim for getting what you pay for.

Understanding what drives rate analyst costs – fees to you – will help you reduce them. There are three major sets of cost factors.

First, there is a set of factors that surround each individual analysis. No two situations are the same but the main factors are always present. They are the complexity of the rate setting situation and the bureaucracy imposed by the client. This determines the total time and travel expense it will take the analyst to do the project. There is little you can do about the complexity of the situation but there is a lot you can do about bureaucracy, which is covered in the next section.

A second set of factors includes indirect or overhead costs such as the cost of offices, support staff, benefits, insurance, marketing and the like. If you would, overhead is the "bureaucracy" of the service firm. Overhead is a big cost component for many firms. In fact, a high overhead firm could charge twice the fees of a low overhead firm for the same project. That firm might lose money on the project. But the low overhead firm might make a nice profit. It may seem to be self-evident but this still needs to be stated: All other things being equal, you want a low overhead rate analyst.

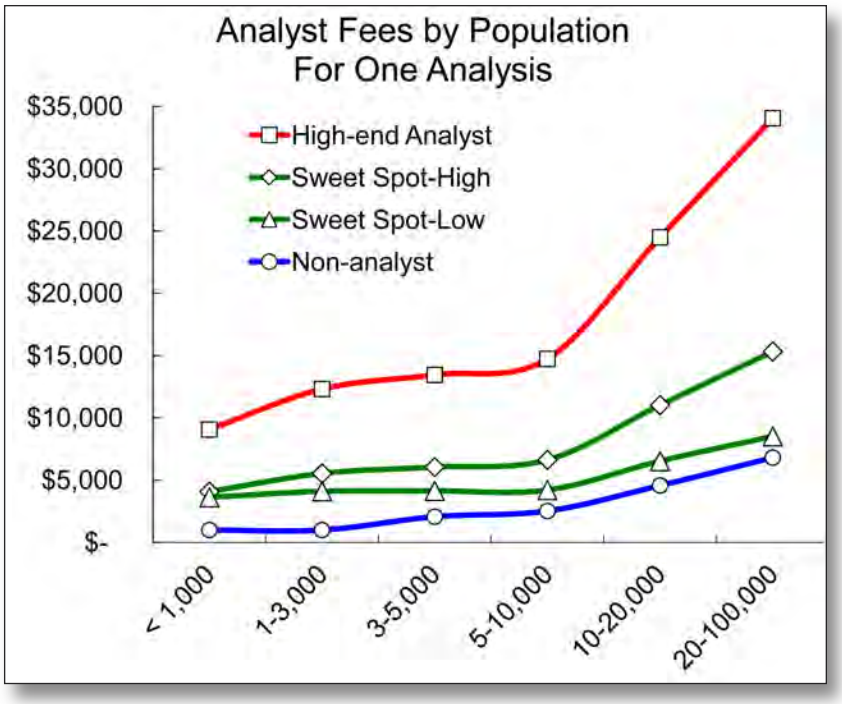
The last major factor is profit margin. Competitors are tight lipped on this one but it is common for the target profit margin for most "what the market will bear" firms to seek profits equal to the salary expense of the analyst.

These three sets of factors are obviously generalized. But they should tell you that for many firms, pricing is commonly based upon a multiplier of three times the salary cost of the analyst for a given project. Therefore, anything you can reasonably do to reduce the analyst's time investment will save you three times that in total project costs. The best place to save analyst time is in the scoping and proposal phase, which will be covered in the next section.

Better than any other simple indicator, total rate analysis costs track fairly well with the number of connections or population served by the system. To find the range of fees you might expect to pay for rate analysis of one utility, locate the population range of the area served by your system in the following chart (see page 8). (Fees for a second utility rate analysis should increase the fees in the chart by about 60 percent.)

To do the most basic of analyses, any analyst will have to do a certain minimal set of tasks. Thus, fees can only go so low. As population rises, the cost of doing ever more complex and often more bureaucratic

analyses rises, but not as quickly as the rise in population. This simply describes the notion you already know as "economy of scale." If you find the *right* rate analyst, the fees you pay should fall within the two green lines of the chart.



The "Non-analyst" trend line needs some explanation. This line does not reflect the fees charged by *all* non-analysts. There are many service providers that are not rate analysts but they charge fees closer to the "High-end Analyst" trend line.

The non-analysts depicted by the bottom trend line are usually not in the business of doing rate analysis. They may pick up the occasional rate calculation project through a serendipitous chain of events. Or, they may have hit on doing free or cheap "rate studies" as a marketing tool for other services they want to sell you.

Be aware that there are risks in choosing a non-analyst. You might think that they would be cheaper. But many actually charge more than rate analysts. What's worse, it is unlikely they can give you what you really need.

Rate Analyst Acquisition Procedure

If you acquire rate analysis services correctly you will probably end up paying fees in the range defined by the green lines in the analyst fees chart. Otherwise, you may pay fees closer to the red line. Therefore, getting, or not getting a great rate analysis for reasonable fees depends more upon your actions than anything else.

This is meant to be encouraging, not scary. *You* have the power. So don't avoid rate analysis altogether. Doing that would be like avoiding the dentist because you think he might find something that needs to be fixed. Dental problems, and rate problems, don't get better with age.

As described more fully in a chapter of "How to Get Great Rates," there are three basic ways you can acquire rate analysis services:

A. Add rate analysis to an existing service provider's contract.
B. Use the "Quality Based Selection" process to solicit and select a rate analyst.
C. Request qualifications and proposals using a process that suits rate analysis.

Alternative A. works great if you hired a rate analyst (who might also be an engineer, accountant or professional from another field) for analysis of one of your utilities and now you want them do two more. Otherwise, Alternative A. is a bad idea.

Alternative A. in the dental field: You go in for a cleaning. Your dentist discovers you have two cavities. Of course you should have him fill the cavities. But if he inquires about your heart problem, tell him, "Thanks for the concern, doc." Then, go find a heart specialist.

Alternative B. is "Quality Based Selection" (QBS), a formal process required by law for engineering services. Most service acquisition policies are based upon QBS. QBS is great for engineer selection but it doesn't work well for rate analyst selection. That is not to say that you might not end up hiring an engineering firm to do a rate analysis. But getting those services by way of QBS is a bad way to do it.

Alternative C. is Alternative B. tailored to the needs of rate analysis. In the usual circumstance, this is the way you should go about it. The procedure you should use is outlined in the following list of steps:

1. Call a prospective rate analyst, more if you can find them. Ascertain if they are a rate analyst. Only continue talking with those you determine to be rate analysts so no one's time will get wasted. Do not solicit proposals from non-analysts.
2. Tell the analyst what you want to achieve, which should be this, "rates that are adequate, fair and appropriately simple or complex." Then…

Unlike engineering or accounting, there is no rate analyst credentialing system. But there is a simple test. Ask the prospect, "How do you make money?' If 50 percent or more comes from rate analysis, they are a rate analyst. Ninety percent is conclusive.

3. Be quiet. Let them lead the conversation, scope the project and propose to you. Your prospect is a rate analyst; they know what to do. They also have a particular way of going about it that saves them time, which will save you money. Don't weigh them down with lots of process requirements, extraneous insurance and the like. Yes, those kinds of things go toward assuring a good outcome for you but steps 5 and 6 that follow with do that better and cheaper.
4. Check to see that their proposal makes sense.
5. Check references. Really, <u>check</u> references for at least the top one or two prospects. The prospect should give you the contact information for <u>all</u> of their clients for at least the last year. Several years would be better. Don't accept a cherry-picked group of their most ardent fans. You want to ascertain that the prospect really can consistently deliver great results. No one is better situated to know that than past clients. This is your best assurance of a successful outcome so call several references. With this step you will ascertain the probability that things will go as you desire.
6. <u>Check</u> their guarantee. It should say, basically, "If you are not satisfied with our work, you don't have to pay us, period." This step covers the risk of things not going as you desire.
7. Check out one or more of the analysis reports they produced for past client(s). If your analysis will be complex or cover several utilities, the report might run 200 pages[10]. More likely, it will be 40 to 60 pages of useful recommendations, data, information and a few graphical presentations of key criteria. If the sample report includes lots of extraneous "stuff," they are padding the report. Why? Probably to justify higher fees.
8. Check their pricing. If they don't do core services on a lump-sum basis; $XX for the water rate analysis, $YY for the sewer rate analysis, etc., you don't want them. As to fee level, you are much better off paying what looks like a lump sum fee that is too high, than an hourly fee that looks reasonable. The lump-sum amount cannot be finagled. Hours can.

Pricing is listed last for good reason. While it is important, it is not the critical issue. Getting a great rate analysis is. That said, what you do or don't do will markedly affect the pricing of most analysts.

The more you talk and the more you specify, the more the analysis will cost and the less you will learn about your prospect's real rate setting prowess, or lack thereof. Remember, most analysts price their services using a factor of three. For every extra hour of unnecessary work you cause them to do, the fee will

[10] A useful report package should include information like that in the rate analysis examples available at www.carlbrownconsulting.com

go up by a factor of three. So keep it simple. Make the initial contact (Step 1). Tell them your goal (Step 2). Then let them take it from there. If they cover Steps 5 and 6 without prompting, they are a good prospect. You just need to check out their proposal, rate setting prowess and pricing.

Rate analysis is people-centered. The system decision-makers' goals are critical. They will likely change as the project progresses. You are, after all, setting rates, fees and policies that will personally affect every one of your customers. You cannot very well tackle such a project with lots of "thou shalts" and "thou shalt nots" in a written RFP. You need to get to know the rate analyst well enough to judge their ability to serve you and work with you.

Attitude matters

If your analyst loves rate analysis and they make a nice living doing it, they will likely serve you well. If, however, rate analysis is just a marketing tool to get other business from you, their focus will be elsewhere.

If you don't talk to the prospective rate analyst, you can't assess their attitude.

The ideal RFP is not written and mailed, it is discussed on the phone. If you must mail one, two pages is the ideal length.

With this approach the duds can't hide behind thick, glossy written responses to RFPs. And the "satisfaction or you don't pay" guarantee puts a kink in their business model.

Unfortunately, your utility's acquisition policies may require you to issue a written RFQ or RFP. If that is the case, you should do this.

Follow the above procedure as much as possible. Then formalize it with the written RFQ or RFP. To make that easier you should use the RFP template that is available as a free download from the author's Web site. This is a Microsoft Word document into which you can enter your system's information and quickly produce an effective RFP. The model RFP itself, without the instructions, is also included at the end of this guide.

State Rural Water Association "RATES Programs"

Having said all the forgoing, you might need to do almost none of it. Several state rural water associations have taken care of the service acquisition process for their member systems through their "RATES Programs." These programs incorporate all of the measures and features discussed in Alternative C. Plus, they are supervised by the associations, adding another assurance that you will enjoy a great outcome. Those using the programs need only do steps 5, 7 and 8 from the actions list above to complete the process. Visit the author's Web site and check out the links at the bottom of the page to learn more about the RATES Program in your state.

Conclusion

You want adequate rates, low risk and economical analyst fees. Your ratepayers want fair rates. Roll these attributes together and you have "great rates." You can get great rates if you will hire the right rate analyst when it is time for a rate analysis. Then do incremental increases during the in-between years on your own.

Avoid getting bogged down in the details and you will see that getting great rates is actually pretty simple. So now getting great rates is not a "Can you do it?" question. The question is, "Will you do it?"

Request for Proposals and Qualifications (Model RFP)
Water and Sewer Rate Analysis
City of Great Rates, Missouri

I. PURPOSE STATEMENT

The city of Great Rates, Missouri, later referred to as the "city," invites your firm, later referred to as "you" or the "analyst," to submit a proposal and your qualifications to perform user charge analysis for the city's water and sewer systems.

II. SUBMITTAL GUIDANCE

A. To receive consideration for this project you should submit substantially the following requested information as well as other information you think would be useful for our review. Submit only that which demonstrates your capabilities to perform this project. When reviewing submittals, the city will view excessive or extraneous material negatively. Economy of actions and time are important to us.

B. Submit your response by e-mail attachment to (name) at _____@_____ no later than 1:00 pm, on (month, day, year). In the subject line of your e-mail state "Rate Analysis RFPQ Response." If you want to submit a paper version of your response in addition to the e-mail response, or if you have materials that are difficult or impossible to e-mail, send those to the same person at (postal address for mail delivery and land address for courier delivery) so that material will arrive by the same time and date. Print on the package "Rate Analysis RFPQ Response." If you have questions e-mail the same person or call (000) 867-5309.

C. All submittals will become the property of the city and the city reserves the right to accept or reject any or all submittals. The city will review all responsive submittals and select a firm to perform the work or reject all proposals, as the city sees fit.

III. GENERAL INFORMATION

A. Great Rates is a second class city located _____ with a population of approximately 6,800 and its own water and sewer systems. With few exceptions, the rates are structured the same for all customer classes. Residential customers account for approximately 85 percent of water and sewer use and revenues. Additional utility information is available at (your Web site addresses for the water and sewer utilities) and by calling (name).

B. Water – The water system has approximately 2,400 meters which include residential, industrial, governmental, commercial, and two wholesale water district customers. The current rates and financial statements are attached (are available on the Web site above).

C. Sewer – The sewer system has approximately 2,150 meters which include residential, industrial, governmental and commercial customers. Bills are based on monthly water usage (or winter average usage). The current rates and financial statements are attached (are available on the Web site above).

D. Your commitment must be to satisfy the city's needs. To that end, the city reserves the right to terminate your engagement with the city for any or no reason and the city will decide if, and how much to pay you for services rendered up to that point.

IV. ANTICIPATED SCOPE OF WORK, APPROACH AND STAFF SUPPORT

A. The city anticipates that the analyst will:

- Develop proposed rates and fees that will be adequate to pay each system's costs for the near term (10 years), have a high likelihood of performing as anticipated, and be fairly structured for the ratepayers,
- Make all necessary recommendations to guide the city in effectuating all needed rate, fee and policy changes now and in the near future,
- Prepare a report that demonstrates how the analysis was performed, and
- Make a presentation at a public meeting that convincingly and clearly portrays the importance of making the changes as recommended.

B. In your response state your basic approach to user charge analysis, the basic steps you employ to perform analysis and the scope of work you believe will be beneficial to the city. This scope should include time estimates of when you anticipate starting the project, when it should be completed and any significant milestones within the project.

C. State any work or tasks to be performed by city staff.

D. Describe your use of e-mail and other electronic tools for doing rate analysis.

E. State the fee(s) you will charge to perform the various packages of work you propose. We are looking for fee statements in this type of format:

Service package 1 – water user charge analysis, $X,xxx

Service package 2 – sewer user charge analysis, $X,xxx

Service package 3 – on-site visits requested by the city, $xxx per visit, etc.

We see no need for fee quotations on an hourly or "cost-plus" basis. If you feel that might be necessary, contact us before doing so. We are not inclined to pay hourly rates for the primary service packages.

F. State the percentage of total revenues that user charge analysis account for in your firm or for the primary person in your firm who will perform or supervise this project. For example, your response might be: "User charge analysis accounts for 90 percent of ABC Corp. revenues." Be able to substantiate your revenue claims.

G. Describe the form of the agreement you prefer to use between your firm and the city for this project. It is acceptable and even preferable to the city to use your proposal and the city's acceptance as our agreement.

V. QUALIFICATIONS STATEMENT

A. State where the firm is based, where it operates and the location of the office from which the service is to be performed.

B. Describe the user charge analysis experience and capability of the firm or of the individual(s) who will do the analysis.

C. Provide user charge analysis project references.

D. Provide a sample of one of the firm's recent utility rate analyses that is similar to the type you anticipate doing for the city to illustrate output the city can anticipate for its project.

E. State the guarantee the firm offers to assure the city's satisfaction with how the project is completed.