



August 17, 2010

Department of Administration
Purchasing Division
Building 15
2019 Washington Street, East
Charleston, WV 25305-0130

RE: RFQ No. PSC11521

Raftelis Financial Consultants, Inc. (RFC) is pleased to submit this proposal for Consultation Services in Connection with the Rule 42T General Rate Case Filing of the West Virginia American Water Company (WVAW) at the Public Service Commission of West Virginia (PSC), PSC Case No. 10-0920-W-42T. This submission is in response to Request for Quotation (RFQ) Number PSC11521. We believe that we are uniquely qualified to provide the requested services to the Consumer Advocate Division of the Public Service Commission of West Virginia (CAD) and appreciate the opportunity to submit this proposal which describes our understanding of the engagement, our qualifications and experience within the water industry.

In order to provide assistance to the CAD, we have assembled a team of professionals with unparalleled experience and expertise in the field of water and wastewater finance and pricing. Our RFC project team differentiates itself from the competition by focusing exclusively on financial and rate-consulting services specifically tailored to water and wastewater utilities. Additionally, members of our proposed project team have significant recent experience providing similar services before public utility commissions across the country.

RFC's consultants possess a unique blend of pricing experience, industry leadership, and objectivity and we are leaders in setting policy related to water and wastewater pricing. I will serve as Technical Advisor for this project. I am the past chair of the AWWA Strategic Management Practices Committee and have managed more than 100 similar engagements. Mr. John Wright, CPA will serve as Project Manager for this project. He has almost 20 years of professional experience in financial management and economic analysis positions involving water, wastewater, telecommunications and energy utilities. His experience includes serving as a senior analyst and expert staff witness at two Public Utility Commissions and as Manager of Rate Administration at one of the largest municipal water utilities in the western U.S. Mr. Wright and I each have more than 10 years of experience testifying on revenue requirement issues involving regulated utilities.

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**PURCHASING DIVISION
STATE OF WV**

Mr. Wright will be the primary point of contact for this project, and his contact information is below:

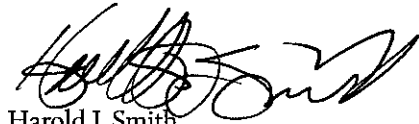
Direct: 816.285.9017 / Mobile: 303.909.5575 / Fax: 816.285.9021 / E-Mail: jwright@raftelis.com

We are confident that you will find our qualifications and experience with financial and rate matters before public utility commissions unmatched in the industry. It is our goal to provide our clients with maximum value in the services and advice that we provide so that your best interests are achieved.

We are proud of the team that we have assembled for this project and welcome the opportunity to be of assistance to the CAD. Should you have any questions about this proposal, please do not hesitate to contact me or John Wright.

Respectfully,

RAFTELIS FINANCIAL CONSULTANTS, INC.

A handwritten signature in black ink, appearing to read "Harold J. Smith", is written over the printed name.

Harold J. Smith

Vice President

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FIRM OVERVIEW

Charlotte Office: 1031 S. Caldwell Street, Suite 100 / Charlotte, NC 28203 /// p: 704.373.1199 / f: 704.373.1113

Kansas City Office: 3013 Main Street / Kansas City, MO 64108 /// p: 816.285.9020 / f: 816.285.9021

Orlando Office: 1802 North Alafaya Trail, Suite 146 / Orlando, FL 32826 /// p: 407.271.4775

Pasadena Office: 201 S. Lake Avenue, Suite 301 / Pasadena, CA 91101 /// p: 626.583.1894 / f: 626.583.1411

Raftelis Financial Consultants, Inc. (RFC) was established in 1993 to provide financial, pricing, and management consulting services of the highest quality to public and private water and wastewater utilities. Specifically, we focus our services in the areas of utility financial planning and pricing, environmental finance, strategic planning, resource conservation, and related areas.

RFC is a corporation and is currently comprised of 31 staff members. RFC places a high priority on being responsive to our clients and, therefore, actively manages each consultant's project schedule to ensure appropriate availability for addressing client needs. RFC has four offices positioned strategically throughout the country to better serve our clients.

As a consulting philosophy, RFC maintains the practice of providing senior level assistance to our clients. While, as necessary, we utilize staff support for specific data gathering and analysis functions, it is not our practice to leverage our senior people with large teams of junior level consultants. Instead, we provide skills, expertise and maturity gained through many years of consulting experience to best meet our clients' needs.

RFC's values include client satisfaction, teamwork, quality, responsiveness, integrity, innovation and knowledge. As such, our mission is to be the most highly regarded innovative leader in providing financial, economic and management consulting to utilities.

Our Team is singularly qualified to assist the CAD with this project because we are the only team that has the combination of the following qualifications:

- > RFC has experience nationally with hundreds of water and wastewater utilities;*
- > RFC has significant experience developing rate structures to meet the unique needs of our clients;*
- > RFC has significant experience providing expert testimony before regulatory agencies;*
- > RFC staff are experts in communicating with governmental officials and the public and building consensus around water pricing decisions;*
- > RFC personnel hold leadership positions within key industry associations; and*
- > RFC has an unmatched list of contacts with other utilities.*

WHAT MAKES RFC UNIQUE

Depth of Resources

RFC has one of the largest financial planning, cost of service and rate consulting practices in the nation. Our depth of resources allows us to sufficiently staff each of our engagements with the qualified personnel necessary to efficiently meet the objectives of our clients.

Industry Leadership

Our senior staff is involved in shaping industry standards by chairing various committees within American Water Works Association (AWWA) and Water Environment Federation (WEF). We have written one of the leading books on water and wastewater rate setting, Water and Wastewater Finance and Pricing and co-authored other industry standard books, such as AWWA's M-1 Manual, Principles of Water Rates, Fees and Charges and WEF's Financing and Charges for Wastewater Systems. RFC also publishes the nationally recognized biennial Water and Wastewater Rate Survey. This survey has been conducted since 1986, RFC has published it since 1996, and we have co-published it with AWWA since 2004. Being so actively involved in the industry allows us to keep our clients informed of emerging trends and issues, and to be confident that our recommendations are insightful and founded on sound industry principles.

Experience

RFC consultants have provided many different financial, pricing, and management consulting services to more than 400 utilities across the United States and abroad, and conducted thousands of studies. In 2009 alone, we completed more than 200 projects for over 100 utilities in 26 states. Our vast experience has allowed our staff to gain insight into a wide variety of water and wastewater utility issues, and apply this knowledge to make each of our projects a success.

Focus

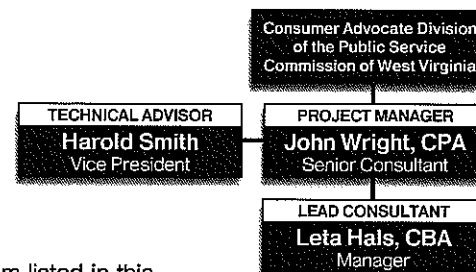
RFC's services are solely focused on providing financial, pricing, and management consulting services to water and wastewater utilities. We do not use our projects as an opportunity to gain traction for future design projects. Our only goal on each project is to help our clients meet their financial, pricing, and management objectives. This focus allows RFC professionals to develop and maintain knowledge and skills which are extremely specialized to the services that we provide to our clients and provide independent and objective advice.

Client Relationships

RFC strives to develop strong relationships with each of our clients. We work collaboratively with our clients during the engagement and provide any necessary assistance after the engagement, because we recognize that we have a vested interest in the success of each of our clients. Our focus on client relationships has helped us maintain many repeat and long-term clients.

PROJECT TEAM

We place a high priority on being responsive to our clients and, therefore, actively manage each consultant's project schedule to ensure appropriate availability for addressing client needs. Below we have listed each of our Project Team members' anticipated roles for this project. We anticipate providing all of the services for this contract with the Project Team listed in this section. In addition to our project team, RFC has the support of 24 additional consultants who specialize in financial, pricing, and management consulting services for water and wastewater utilities. We have included full resumes for each member of our project team in Appendix A of this proposal.



John Wright, CPA / Project Manager

Role for this Project: As Project Manager, Mr. Wright will be responsible for contractual representations with CAD as well as overall project accountability. He will also serve as expert witness and prepare testimony in support of CAD's position.

Profile: Mr. Wright joined RFC in 2010. He has almost 20 years of professional experience in financial management and economic analysis positions involving water, wastewater, telecommunications and energy utilities. Most recently, Mr. Wright served as the Manager of Rate Administration at Denver Water, one of the largest municipal water utilities in the western U.S. He was responsible for supervising the preparation of the ten-year financial plan and the annual water cost of service, system development charge and miscellaneous fee studies. Prior to joining Denver Water, Mr. Wright served as a Senior Economist at the Portland Bureau of Environmental Services, a nationally recognized leader in water pollution control and sustainable stormwater management programs. He assisted in the development of the five-year financial plan and was responsible for preparing the annual sewer and stormwater cost of service and system development charge studies. Mr. Wright has also served as a senior analyst and expert staff witness at the Oregon PUC where he specialized in telecommunications utility issues and the Colorado PUC where he specialized in electric power and natural gas utility issues.

Harold Smith / Technical Advisor

Role for this Project: As Technical Advisor, Mr. Smith will provide input on rate setting issues, and will be responsible for reviewing the cost of service reports and the rate filings to identify any inconsistencies or areas of concern. He will also assist Mr. Wright with the preparation of testimony and will be available to provide testimony, if necessary.

Profile: Mr. Smith is a nationally recognized expert in water and wastewater finance, management, and pricing. During his 20-year career, he has focused on advising municipal water and wastewater utilities throughout the United States. Mr. Smith has participated in a variety of projects to assist water and wastewater utilities focusing on financial, management, and public policy requirements. His broad-based experience includes cost of service and pricing analyses, development of comprehensive financial plans, utility impact fee studies, revenue bond feasibility studies, management studies and strategic planning. Mr. Smith is the immediate past-Chair of the AWWA Strategic Management Practices Committee and is a member of the Financial Management Committee of the New England Water Works Association.

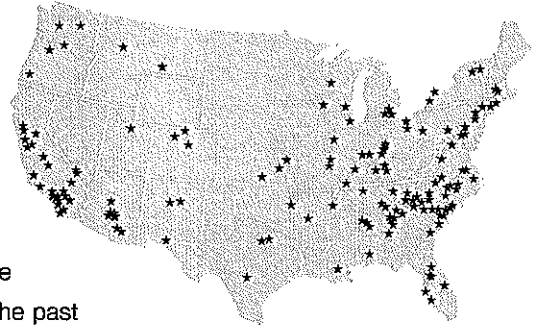
Leta Hals, CBA / Lead Consultant

Role for this Project: As Lead Consultant, Ms. Hals will have primary responsibility for the development of models or analysis used to support the CAD's position, as well as reviewing all documents received. She will also assist Mr. Wright with preparing for testimony.

Profile: Ms. Hals has developed strong project management skills over her 10 years of providing financial consulting services to utilities across the United States and in Canada. She has been with RFC since 1999 and is a designated Certified Business Appraiser by the Institute of Business Appraisers. She has performed numerous studies for utilities across the United States, and has given presentations on utility financial matters at state, regional, and national conferences, including American Water Works Association's Annual Conference and Exposition and AWWA/WEF's Joint Management Conference. Ms. Hals authored the chapter entitled, "Valuation of Water and Wastewater Utility Assets" of George Raftelis' book, Water and Wastewater Finance and Pricing – A Comprehensive Guide (Third Edition), which has become an authoritative document for establishing utility financing plans and pricing structures. Ms. Hals is adept at providing a range of financial services for utilities and has provided litigation support and expert witness testimony on several occasions.

PROJECT EXPERIENCE & REFERENCES

Our team has provided assistance to numerous utilities across the country. In 2009 alone, RFC worked on more than 200 projects for over 100 clients in 26 states. The chart below displays a list of some of the utilities that we have assisted in the past and includes the services performed for these various utilities, and this map shows some of the locations of utilities that we have provided services for during the past five years. In the following pages, we have provided detailed descriptions of several projects that we have worked on over the past five years which are similar to this project. We have also provided references for each of these projects and urge you to contact them to better understand our capabilities and the quality of service that we provide.



	Financial Services					Related Services				
	Cost of Service and Pricing	Conservation Pricing	Project/Program Feasibility	Revenue Bond Feasibility	Benchmarking	Modeling / Risk Analysis	Valuation Services	Procurement Assistance	Strategic Financial Planning	Litigation Support / Rate Case
Birmingham (AL) Water Works Board	✓	✓		✓	✓	✓	✓	✓	✓	
Mobile (AL) Area Water and Sewer System	✓					✓			✓	
Little Rock Wastewater Utility, AR	✓				✓	✓	✓		✓	
City of Bullhead City, AZ	✓									
City of Peoria, AZ	✓			✓		✓	✓		✓	
City of Phoenix, AZ	✓			✓	✓	✓		✓		
Pima County, AZ	✓								✓	
City of Scottsdale, AZ	✓	✓		✓		✓				
City of Anaheim, CA	✓									
City of Beverly Hills, CA	✓	✓				✓				
City of San Diego, CA	✓		✓			✓				
City of Redlands, CA	✓					✓				
El Toro Water District, CA	✓									
Metropolitan Water District of Southern CA	✓				✓	✓				
San Francisco (CA) Public Utilities Commission					✓				✓	
Groton Utilities, CT	✓					✓				
District of Columbia Water and Sewer Authority			✓		✓					✓
City of Wilmington, DE								✓		
City of Pompano Beach, FL	✓					✓				
Columbus (GA) Water Works	✓	✓		✓		✓			✓	
City of Kansas City, KS	✓									
City of Olathe, KS	✓					✓			✓	
City of Wichita, KS	✓	✓				✓				
Paducah-McCracken Joint Sewer Agency (KY)	✓					✓				
Sewerage and Water Board of New Orleans, LA			✓					✓		
City of Baltimore, MD	✓					✓			✓	
Macomb County, MI	✓									
City of Saginaw, MI	✓					✓			✓	
City of Wyoming, MI	✓					✓				
City of Lee's Summit, MO	✓									
Kansas City, MO	✓					✓				
Metropolitan Sewer District St. Louis, MO	✓									✓
City of Billings, MT	✓									✓
City of Raleigh, NC	✓									
Charlotte-Mecklenburg Utilities, NC	✓	✓				✓	✓	✓	✓	✓
City of Winston-Salem, NC				✓						✓
City of Durham, NC	✓	✓				✓				
Town of Cary, NC	✓	✓		✓	✓	✓				✓
City of Concord, NC	✓									
City of Henderson, NV	✓					✓				✓
City of Hobbs, NM	✓	✓				✓				
City of Buffalo, NY	✓				✓	✓				
Northeast Ohio Regional Sewer District, OH	✓					✓				✓
City of Dayton and Montgomery County, OH	✓									
City of Portland, OR				✓	✓	✓				
Allegheny County Sanitary Authority, PA	✓					✓				✓
Borough of Carlisle, PA	✓					✓				
City of Erie, PA	✓					✓				
City of Newport, RI	✓					✓		✓		✓
Providence Water, RI	✓									✓
Mount Pleasant Waterworks, SC	✓					✓				✓
Spartanburg Water, SC	✓		✓	✓		✓				
Hallsdale-Powell Utility District, TN	✓									
Metro Water Services, Nashville, TN	✓			✓	✓	✓				✓
Sewanee Utility District, TN										
City of Johnson City, TN						✓				
City of Chattanooga, TN										✓
City of Denton, TX	✓	✓				✓				
Tarrant Regional Water District, TX	✓									
San Antonio (TX) Water System	✓	✓								✓
Arlington County, VA	✓					✓			✓	
Loudoun County Sanitation Authority (VA)	✓	✓		✓		✓				
City of Suffolk, VA	✓			✓		✓			✓	
City of Burlington, VT	✓									
Tacoma Water Department, WA										✓
United States Navy	✓				✓			✓	✓	✓

City of Newport (RI)

Client Reference: Julia Forgue, Director of Utilities / City of Newport / Phone: 401.847.0154 / E-Mail: jforgue@cityofnewport.com

RFC was most recently engaged by the City of Newport to perform analyses and prepare information that was included in the City's five most recent General Rate Filings to the Rhode Island Public Utilities Commission (RIPUC Docket Nos. 3578, 3675, 3818, 4025, and 4128). For these engagements, RFC calculated retail rates for the City's retail customers and wholesale rates for the City's two wholesale customers, the Portsmouth Water and Fire District (PWFD) and the U.S. Navy. We provided both pre-filed testimony and direct testimony in support of Newport's requests. In Docket No. 3675 the RIPUC granted the City a water rate increase of approximately 20%. In Docket 3818, Newport was allowed an 11% increase and Docket No. 4025 resulted in a 15% increase in rates. Docket No. 4128 is still ongoing.

RFC was also the lead financial consultant during the City's process to select a private partner to operate their wastewater treatment and collection facilities. For this engagement, RFC participated in the preparation of the Request for Proposals and the Service Agreement and lead the development of an economic baseline as well as the creation of a financial model that was used to calculate the long-term economic impact of each proposal. We also played an active role in the contract negotiation process. As a result of the procurement process, the City entered into a 20-year contract for the operation, maintenance, repair and replacement of their wastewater system. The contract is expected to save the City \$22 million over the term of the contract.

Providence Water Supply Board (RI)

Client Reference: Pam Marchand, Chief Engineer / Providence Water Supply Board / Phone: 401.521.6300 / E-Mail: pmarchand@prowater.com

RFC has developed rate models and provided expert testimony for the Providence Water Supply Board's (Providence Water) two most recent filings before the Rhode Island Public Utility Commission (RIPUC). For RIPUC Docket No. 3832, RFC used the rate year revenue requirements developed by others and allocated costs to Providence Water's customer classes which include three retail classes and several wholesale customers. In addition, we calculated both public and private fire protection charges. This filing, which was contested by the wholesale customers, resulted in rate increases ranging between 9% and 41%, depending on the class of customer. Providence Water's most recent filing, RIPUC Docket No. 4061, is an abbreviated filing for which RFC prepared the revenue requirements and developed the proposed rates. This filing resulted in a Settlement Agreement between Providence Water, the Division of Public Utilities and Carriers and interveners in the rate case that allowed for a 5.9% increase in Providence Water's rates.

Additionally, RFC assisted Providence Water with the preparation of a compliance filing to address the RIPUC's order in Docket No. 3832 to present conservation rate options. Based on testimony provided by RFC, the RIPUC determined that the implementation of conservation rates was not in the best interest of Providence Water or its customers at this time.

Nova Scotia Utility and Review Board (Canada)

Client Reference: Heidi Macintosh, Senior Advisor / Nova Scotia Utility and Review Board / Phone: 902.424.4448 / E-Mail: uarb.macinthj@gov.ns.ca

RFC was engaged by the Nova Scotia Utility and Review Board (Board) to review the “return on rate base” methodology and provide recommendations for establishing policy for utilities seeking to include this component as part of their revenue requirements. The Board’s primary goal for the engagement was the development of a generic formula for determining the appropriate rate of return that utilities could use as they prepared their rate filing. During the course of the engagement, RFC realized that the Board was dealing with an issue that went beyond developing a way for utilities to determine an appropriate rate of return. The key issue the Board faced and the issue that led to the need to develop a standardized rate of return formula was the fact that a number of utilities regulated by the Board had accumulated deficits and were attempting to recover funds to offset their deficits through their proposed return on rate base. Therefore, in an effort to help the Board address this issue, RFC proposed both a standardized rate of return formula for use by the Board and the utilities, as well as suggested mechanisms by which these accumulated deficits could be addressed. The standardized rate of return formula suggested by RFC was ultimately adopted by the Board. Services provided by RFC included:

- > Assessment of municipal rate of return methodologies employed by other Canadian provinces and U.S. regulatory commissions;
- > Identification of issues and goals to be addressed by a standardized municipal rate of return;
- > Cost of capital equations considering risk and the weighting and costs of debt and equity (e.g., buildup method, capital asset pricing model, etc.); and
- > Suggestion of deficit recovery policies and/or mechanisms for building of reserves.

RFC was also recently engaged by the law firm acting as the Consumer Advocate for a rate filing by the Halifax Regional Water Commission (HRWC). For this project, RFC is reviewing HRWC’s filing, preparing testimony, and reporting schedules, and will participate in hearings before the Board.

Avon Water Company (CT)

Client Reference: Robert Wesneski, President / Avon Water Company / Phone: 860.678.0001 / E-Mail: avonwater@asnet.net

Avon Water Company (AWC) is a privately owned water utility that serves approximately 4,600 customers in and around Avon, Connecticut. It is regulated by the State of Connecticut’s Department of Public Utility Control (DPUC). In 2009, AWC filed a request for a rate increase with the DPUC that included a conservation rate proposal that was a DPUC requirement from AWC’s previous rate filing. This conservation rate proposal was prepared by another rate consultant that due to health reasons was unable to continue providing assistance to AWC. At that point, AWC engaged RFC to serve as its rate consultant for the remainder of the proceedings. For this engagement, Harold Smith participated in all rate case hearings and prepared schedules and exhibits in support of rate structure alternatives that were requested during the course of the proceedings by the DPUC. These rate structure alternatives were designed to mitigate adverse bill impacts on low volume users while still sending a conservation message to AWC’s customers. The results of this case are still pending.

Hardin County Water District No. 1 (KY)

Client Reference: Jim Bruce, General Manager / Hardin County Water District #1/ Phone: 270.352.4280 / E-Mail: jbruce@hcwd.com

The Hardin County Water District No. 1 (HCWD) is a quasi-governmental water and sewer utility that is regulated by the Kentucky Public Service Commission (PSC). In 2009, HCWD engaged RFC to perform a wastewater cost of service and rate study and prepare testimony and exhibits for a rate filing before the PSC. RFC is currently in the process of developing the rate model and working with HCWD to determine the system of rates and charges that best meet their needs.

City of Chattanooga (TN)

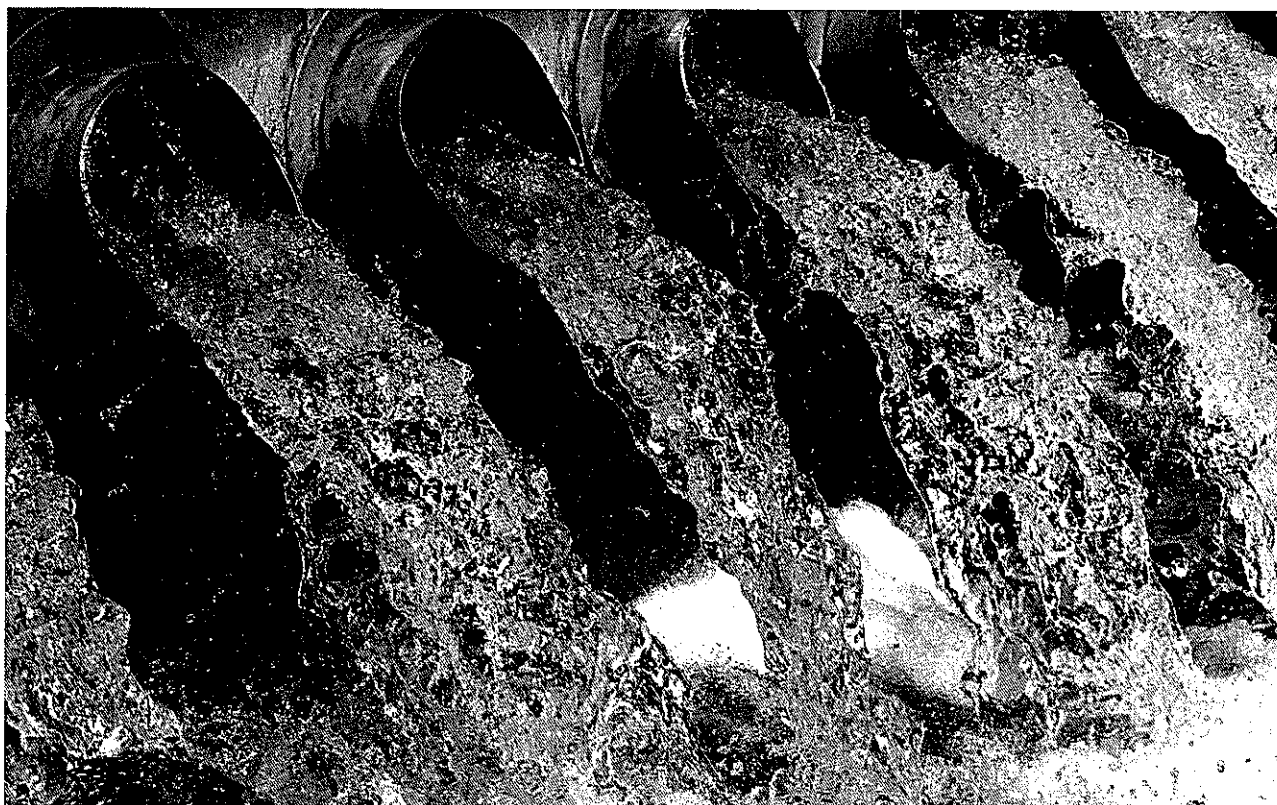
Water service in Chattanooga is provided by the Tennessee-American Water Company (TAWC), a subsidiary of American Water Works Company. In 2007, lawyers representing the City of Chattanooga engaged RFC to examine TAWC's rate filing before the Tennessee Regulatory Authority (TRA). After reviewing the rate filing, Harold Smith prepared testimony supporting a reduction in the Management Fees assessed to TAWC by its parent company and recovered through rates. In its order, the TRA reduced Management Fees and ordered TAWC to undergo a management audit designed in part to determine the benefit of these Management Fees to TAWC's customers.

City of Pekin (IL)

RFC conducted a valuation and economic feasibility study for the City of Pekin to assess the viability of acquiring the portion of the Illinois-American system serving the Pekin area. As a precursor to condemnation proceedings, RFC provided direct testimony to the Illinois Commerce Commission (ICC) regarding the feasibility of the City to own and operate the water system.

City of Peoria (IL)

In 2004, RFC conducted a formal appraisal of the Peoria District of Illinois-American. This analysis was an update of a 1999 valuation and economic feasibility study for the City of Peoria to assess the viability of acquiring the system. An 1889 franchise agreement between IAWC and the City of Peoria, that gives the City the right to purchase the system without condemnation, was upheld in the Illinois courts. An arbitration process will be used to establish the price at which the City of Peoria will acquire the system.



SCOPE OF WORK

PHASE I

Data Review and Preparation of Interrogatories

RFC will perform a review of all documents submitted for the current filing by West Virginia American Water Company (WVAW) to the Public Service Commission of West Virginia (PSC). Our initial review will focus on identifying components of the filing that warrant further analysis. Specifically, the review will focus on identifying the components of WVAW's revenue requirements that appear to be the major drivers of their requested rate adjustments.

To the extent that our initial review identifies components of HRWC's revenue requirements that appear to be unjustified or unsupported, RFC will perform additional review and analysis and will prepare interrogatories to be submitted to WVAW seeking additional information.

PHASE II

Preparation of Testimony and Participation in Hearings

To the extent that the review performed in Phase I identifies issues with WVAW's rate filing that could be disputed, RFC will support the Consumer Advocate Division (CAD) in its efforts to dispute these issues by performing the appropriate financial analysis and preparing testimony in support of the CAD's position. Our testimony will be prepared by John Wright or by a member of our firm with expertise relevant to the issues being disputed. The individual or individuals that prepare testimony will also be available for participation in PSC hearings. RFC will also assist, as needed, with the preparation of post-hearing briefs.

PSC11521 - Case Consulting Bid Form

Employee/Title	Not to Exceed Number of Hours*	Hourly Rate	Extended Price
John Wright/Project Manager	120	\$ 210	\$ 25,200.00
Leta Hals/Lead Consultant	44	\$ 210	\$ 9,240.00
Harold Smith/Technical Advisor	10	\$ 240	\$ 2,400.00
Annette Honeycutt/Administrative	16	\$ 60	\$ 960.00
		\$	\$
		\$	\$
		Total	\$ 37,800.00

Bidder / Vendor Information:

Name: Raffelis Financial Consultants, Inc.Address: 1031 S. Caldwell St., Suite 100Charlotte, NC 28203Phone #: 704.373.1199Email Address: hsmith@raffelis.com

Contact Coordinator Information:

Name: Harold Smith, Vice PresidentAddress: 1031 S. Caldwell St., Suite 100Charlotte, NC 28203Phone #: 704.373.1199Email Address: hsmith@raffelis.com

The Consultant will not be reimbursed for hours that exceed the total hours for each Employee/Title

APPENDIX A: PROJECT TEAM RESUMES

Technical Specialties

- > Strategic financial planning
- > Cost of service studies
- > Conservation rate design
- > Capital investment analysis
- > Integrated resource planning
- > Rate-of-return analysis
- > Expert testimony and litigation support
- > Public speaking and presentations

Professional History

- > Raftelis Financial Consultants, Inc.: Senior Consultant (2010-present)
- > Denver Water: Manager of Rate Administration (2006-2009)
- > Portland Bureau of Environmental Services: Senior Economist (2004-2006)
- > Public Utility Commission of Oregon: Senior Utility Analyst (2002-2004)
- > Various Positions in the Competitive Telecommunications Industry (1997-2002)
- > Colorado Public Utilities Commission: Senior Financial Analyst (1991-1997)

Education

- > Master of Science in Finance - University of Colorado at Denver (1988)
- > Bachelor of Science in Accounting - Metropolitan State College of Denver (1987)

Active Registrations

- > Certified Public Accountant: Colorado #11959 (1989)

Professional Memberships

- > American Water Works Association: Former Chair of the Conservation Rates Subcommittee of the Rates and Charges Committee; Participated in updating AWWA's Manual M1, Principles of Water Rates, Fees and Charges
- > Water Environment Federation
- > Chartered Financial Analyst Institute

John Wright, CPA Project Manager (Senior Consultant, RFC)

Profile

Mr. Wright joined RFC in 2010. He has almost 20 years of professional experience in financial management and economic analysis positions involving water, wastewater, telecommunications and energy utilities. Most recently, Mr. Wright served as the Manager of Rate Administration at Denver Water, one of the largest municipal water utilities in the western U.S. He was responsible for supervising the preparation of the ten-year financial plan and the annual water cost of service, system development charge and miscellaneous fee studies. Prior to joining Denver Water, Mr. Wright served as a Senior Economist at the Portland Bureau of Environmental Services, a nationally recognized leader in water pollution control and sustainable stormwater management programs. He assisted in the development of the five-year financial plan and was responsible for preparing the annual sewer and stormwater cost of service and system development charge studies. Mr. Wright has also served as a senior analyst and expert staff witness at the Oregon PUC where he specialized telecommunications utility issues and the Colorado PUC where he specialized on electric power and natural gas utility issues.

Professional Experience

Denver Water: Manager of Rate Administration (2006-2009)

Management position supervising three rate analysts and reporting to the Director of Finance at a municipal water utility serving over 1.3 million people. Duties/accomplishments:

- > Coordinated preparation of the annual ten-year financial plan;
- > Supervised preparation of the annual water rate cost-of-service study which requires the calculation of rates for seventeen different treated, raw, recycled and wholesale water customer classes;
- > Supervised preparation of the annual system development charge study to calculate pricing for both potable and non-potable water tap fees;
- > Provided economic and financial analysis support for capital investment decisions, integrated resource planning, recycled water system expansion, and raw water operations;
- > Served as a member of the AWWA Rates and Charges Committee responsible for drafting proposed updates to Chapter 7 (cost allocations) and Chapter 8 (customer class revenue requirements) of AWWA Man-

ual M1, Principles of Rates, Fees and Charges;

- > Served as Chair of the Conservation Rates Subcommittee of the AWWA Rates and Charges Committee responsible for coordinating the update of Manual M1 conservation rate design chapters.

Portland Bureau of Environmental Services: Senior Economist (2004-2006)

Economic and financial analysis position reporting to the Director of Business Services at a municipal wastewater utility serving over 500,000 people. Duties/accomplishments:

- > Assisted in the preparation of the annual five-year financial plan;
- > Prepared the annual sanitary sewer and stormwater drainage cost-of-service study which included the calculation of rates and system development charges;
- > Calculated solid waste and recycling rates for the Portland Office of Sustainable Development;
- > Developed pricing for services provided by the Bureau of Environmental Services' water pollution control laboratory.

Public Utility Commission of Oregon: Senior Utility Analyst (2002-2004)

Specialist in telecommunications industry financial, economic and public policy issues. Duties/accomplishments:

- > Testified as an expert staff witness on wireless carrier universal service funding issues;
- > Testified as an expert staff witness on long-distance carrier bond rating and credit quality issues;
- > Analyzed Qwest Communications pricing for high capacity network services using incremental cost models mandated by the Federal Communications Commission;
- > Served as a financial and policy advisor to the Oregon Universal Service Fund Advisory Board.

Various Positions in the Competitive Telecommunications Industry (1997-2002)**Colorado Public Utilities Commission: Senior Financial Analyst (1991-1997)**

Specialist in energy utility financial, economic and public policy issues. Duties/accomplishments:

- > Selected by the Colorado PUC Commissioners to the first litigation support staff in agency history;
- > Advisor to the Colorado PUC Commissioners on electric power and natural gas utility rate case, integrated resource planning and retail deregulation issues;
- > Participated in the development of integrated resource planning rules for electric power utilities requiring competitive bidding for new resources, the submission of alternative resource portfolios, and the use of discounted cash flow techniques to model ratepayer impacts;
- > Analyzed the avoided cost of coal and natural gas-fired generation facilities and the economics of renewable energy and demand-side management programs included in Public Service Company of Colorado (now Xcel Energy) integrated resource plans;
- > Testified as an expert staff witness in Public Service Company of Colorado (Xcel Energy) and San Miguel Power Association rate cases;
- > Served as liaison to the Clinton Administration's Council on Sustainable Development representing former Colorado PUC Commissioner Christine Alvarez;
- > Author of Colorado PUC staff comments on proposed Federal Energy Regulatory Commission rules for open access electric transmission (FERC Order No. 888) as published in the *National Regulatory Institute Quarterly Bulletin*, Volume 17, No. 1.

Technical Specialties

- > Utility cost of service and rate structure studies
- > Utility valuation studies
- > Privatization procurements
- > Privatization feasibility studies
- > Regionalization/consolidation studies
- > Utility financial planning studies

Professional History

- > Raftelis Financial Consultants, Inc.: Vice President (2002-present); Manager (1997-2002)
- > Geoscience Group: Environmental Department Manager and Senior Geologist (1991-1997)
- > Trigon Engineering Consultants, Inc.: Project Geologist (1989-1991)

Education

- > Master of Business Administration - Wake Forest University (1997)
- > Bachelor of Science in Natural Resources - University of the South (1987)

Professional Registrations

- > Licensed Professional Geologist

Professional Memberships

- > American Water Works Association: - Past Chair of Competitive Practices Committee
- > New England Water Works Association - Member of Financial Management Committee

Harold Smith

Technical Advisor (Vice President, RFC)

Profile

Mr. Smith is a nationally recognized expert in water and wastewater finance, management, and pricing. During his 20-year career, he has focused on advising municipal water and wastewater utilities throughout the United States. Mr. Smith has participated in a variety of projects to assist water and wastewater utilities focusing on financial, management, and public policy requirements. His broad-based experience includes cost of service and pricing analyses, development of comprehensive financial plans, utility impact fee studies, revenue bond feasibility studies, management studies and strategic planning. Mr. Smith is the immediate past Chair of the AWWA Strategic Management Practices Committee and is a member of the Financial Management Committee of the New England Water Works Association.

Relevant Project Experience**Providence Water Supply Board, Rhode Island**

Mr. Smith has served as the Project Manager for two engagements that have involved the development rate models and preparation of expert testimony for the Providence Water Supply Board's (Providence Water) two most recent filings before the Rhode Island Public Utility Commission (RIPUC). For RIPUC Docket No. 3832, RFC used the rate year revenue requirements developed by others and allocated costs to Providence Water's customer classes which include three retail classes and several wholesale customers. In addition, we calculated both public and private fire protection charges. This filing, which was contested by the wholesale customers, resulted in rate increases ranging between 9% and 41%, depending on the class of customer. Providence Water's most recent filing, RIPUC Docket No. 4061, is an abbreviated filing for which RFC prepared the revenue requirements and developed the proposed rates. This filing resulted in a Settlement Agreement between Providence Water, the Division of Public Utilities and Carriers and interveners in the rate case that allowed for a 5.9% increase in Providence Water's rates.

Additionally, RFC assisted Providence Water with the preparation of a compliance filing to address the RIPUC's order in Docket No. 3832 to present conservation rate options. Based on testimony provided by Mr. Smith, the RIPUC determined that the implementation of conservation rates was not in the best interest of Providence Water or its customers at this time.

City of Newport, Rhode Island

RFC was most recently engaged by the City of Newport to perform analyses and prepare information that was included in the City's five most recent

General Rate Filings to the Rhode Island Public Utilities Commission (RIPUC Docket Nos. 3578, 3675, 3818, 4025, and 4128). For these engagements, RFC calculated retail rates for the City's retail customer and wholesale rates for the City's two wholesale customers, the Portsmouth Water and Fire District (PWFD) and the U.S. Navy. Mr. Smith provided both pre-filed testimony and direct testimony in support of Newport's requests. In Docket No. 3675 the RIPUC granted the City a water rate increase of approximately 20%. In Docket 3818, Newport was allowed an 11% increase and Docket No. 4025 resulted in a 15% increase in rates. Docket No. 4128 is still ongoing.

Mr. Smith was also the lead financial consultant during the City's process to select a private partner to operate their wastewater treatment and collection facilities. For this engagement, Mr. Smith participated in the preparation of the Request for Proposals and the Service Agreement and lead the development of an economic baseline as well as the creation of a financial model that was used to calculate the long-term economic impact of each proposal. He also played an active role in the contract negotiation process. As a result of the procurement process, the City entered into a 20-year contract for the operation, maintenance, repair and replacement of their wastewater system. The contract is expected to save the City \$22 million over the term of the contract.

Pima County, Arizona

Mr. Smith has served as the Project Manager on several projects Pima County Regional Wastewater Reclamation Department (PCRWRD). The first of these projects involved assisting the PCRWRD with the development of a long-term capital improvement program designed to allow the County to comply with recent environmental regulations and continued growth in the region. The study identified \$1.4 billion in capital needs over the next 15 years and RFC was charged with assisting the County in the development of a plan to fund this program looking not only at current rates and charges and tax-exempt debt, but also exploring opportunities that may be present through public/private

partnerships including design/build/operate and design/build/operate/finance. Mr. Smith also managed a project on which RFC assisted the PCRWRD with the evaluation of alternative project delivery methods for the delivery of a new Water Reclamation Campus. The project involved the development of risk adjusted estimates of the cost of delivering the project under a variety of delivery models including Construction Manager At Risk; Design-Build; Design-Build-Operate; and Design-Build-Finance-Operate. Based on this analysis, PCRWRD decided to deliver the project under the Design-Build-Operate model and RFC is currently assisting the County with the procurement of a Design-Build-Operate contractor.

Additionally, RFC has prepared the PCRWRD's Financial Plans for fiscal years 2008, 2009 and 2010. Each of these Financial Plans included recommended rate increases that were approved by the County's Board of Supervisors.

City of Buffalo, New York

Mr. Smith served as the Project Manager for a comprehensive cost of service and rate study for the Buffalo Water Board. Buffalo's primary pricing objectives were revenue sufficiency and equitable cost recovery from all customer classes. To achieve these objectives, RFC performed a cost of service study and developed two alternatives to the existing three-block, declining block rate structure. The results of the cost of service study indicated that the discount being realized by large volume customers was not cost justified and that only a minor portion of consumption was within the middle rate block. RFC recommended a phased approach to bringing the discount for consumption in the third rate block closer to a cost-justified level and phasing out the middle rate block. Both the Water Board and the City's Common Council unanimously approved RFC's recommendations.

San Antonio Water System, Texas

Mr. Smith was the Project Manager for a comprehensive cost of service and rate studies performed for the

San Antonio Water System (SAWS) in 2003, and is the Project Manager for the cost of service and rate study that RFC is currently performing for SAWS. For both of these projects RFC prepared and facilitated a rate setting workshop for SAWS staff and members of a Rates Advisory Committee (RAC); developed a comprehensive cost of service/rate model that calculated conservation water rates for residential, commercial, industrial and wholesale customers; and developed a wastewater rate model that calculated residential wastewater rates and high-strength surcharges. As part of the first project, RFC also reviewed SAWS' impact fee calculation methodology; developed recycled water rates; reviewed chilled water and steam rates; and assisted SAWS with the development of various miscellaneous charges.

City of Phoenix, Arizona

Mr. Smith has managed numerous projects for the City of Phoenix (City) over the past ten years. The projects have included rate analyses, bond feasibility analyses, calculating an environmental fee, and design/build/operate procurement. RFC has assisted the City with five debt issuances. In 2001, RFC assisted with the preparation of a bond feasibility analysis for a \$220,000,000 Junior Lien Water System Revenue Bond issuance. In 2003, RFC assisted with the preparation of a bond feasibility analysis for \$130,260,000 in Senior Lien Wastewater System Variable Rate Demand Revenue Refunding Bonds. In 2003, RFC assisted the City by performing a parity test and preparing a parity test certificate for \$11,325,000 in Junior Lien Water System Revenue Refunding Bonds, and, in 2004, RFC performed a parity test and issued a parity test certificate for \$180,000,000 in Junior Lien Wastewater System Revenue Bonds. In 2005, RFC prepared a bond feasibility analysis for a \$600,000,000 in Junior Lien Water System Revenue Refunding Bonds. For this engagement, RFC reviewed the financial forecast prepared by the City; reviewed the report prepared by the City for inclusion in the bond official statement; prepared an opinion letter related to the reasonableness of the City's financial forecast; and performed a parity test and issued a parity test certificate. The scope of work for this project also included a

benchmarking study that compared the City's performance on a variety of financial performance metrics with the performance of other similar utilities. Data for the benchmarking study was derived from information collected as part of RFC's biennial rate survey and from a targeted survey of the City's peer utilities that was created specifically for this project. Mr. Smith is currently managing the bond feasibility analysis for a \$450,000,000 water revenue bond issue. In 2009, RFC prepared a bond feasibility analysis for \$450,000,000 in Junior Lien Water System Revenue Bonds and \$90,295,000 in Junior Lien Water System Revenue Refunding Bonds. Also in 2009, RFC prepared parity test letters for loans from the Arizona Water Infrastructure Finance Authority for water and sewer system improvements.

Mr. Smith also led an RFC team that served as the City's financial consultant for the procurement of a contractor for a design/build/operate contract for the 80 MGD Lake Pleasant Water Treatment Plant. RFC assisted the City with the analysis of alternative project delivery methods, the preparation of procurement documents, the evaluation of proposals and the preparation of a benchmark financial model.

City of Niagara Falls, New York

Mr. Smith served as project manager on a wastewater capacity marketing plan (Plan) for the City of Niagara Falls. In the 1970's, the City's wastewater treatment plant (WWTP) was upgraded to provide both primary and secondary treatment processes due to the nature and quantity of waste being discharged by its Significant Industrial Users (SIU). Unfortunately, unfavorable economic conditions along with increased pretreatment requirements instituted by the EPA in the 1980's reduced the SIU revenue stream and resulted in a sophisticated facility that lacked an adequate volume of flow and quantity of pollutants to achieve cost efficient economies of scale. To address these issues, the City engaged RFC to evaluate various opportunities to market its excess wastewater treatment capacity. As project manager, Mr. Smith worked closely with WWTP staff,

the Sewer Commission, and an Industrial Liaison Committee in developing a marketing plan that identified distinct segments of the imported waste market, assessed competition within the imported waste market, and identified potential distribution channels for transporting the waste to the WWTP.

Other Relevant Project Experience

- > Cecil County, Maryland - Water and Wastewater Rate Study
- > City of Chattanooga, Tennessee – Expert Witness Testimony
- > Dalton Utilities/Whitfield County, Georgia – Utility Valuation Study
- > Town of Dartmouth, Massachusetts – Rate Model Development
- > City of Dayton, Ohio – Wholesale Water Rate Study
- > Town of Florence, South Carolina – Water and Wastewater Rate Study, Capital Planning Study
- > City of Fort Mill, South Carolina - Wholesale Water Rate Study
- > City of Goodyear, Arizona – Water and Wastewater Rate Study
- > City of Lexington, North Carolina - Water and Wastewater Rate Study
- > City of Los Angeles, California – Litigation Support
- > Miller's Pond, Connecticut - Utility Valuation Study
- > Montgomery County, Ohio - Wholesale Water Rate Study
- > City of North Myrtle Beach, South Carolina - Water and Wastewater Rate Study
- > City of Peoria, Arizona - Water and Wastewater Rate Study
- > City of Peoria, Illinois - Utility Valuation Study
- > City of Scottsdale, Arizona - Water and Wastewater Rate Study
- > United States Navy – Utility Privatization
- > Victor Valley Water District, California - Water and Wastewater Rate Study
- > Wake County, North Carolina – Utility Regionalization Study
- > Town of Winthrop, Massachusetts – Water and Wastewater Rate Study

- > York County, South Carolina - Wholesale Water Rate Study

Publications

- > Water and Wastewater Finance and Pricing: A Comprehensive Guide, Third Edition
- > Co-Author, AWWA Manual M-5, Water Utility Management
- > National Rural Water Association White Paper, "Privatization of Small Water Systems"

Technical Specialties

- > Utility Valuation and Appraisal
- > Utility Cost of Service and Rate Structure Studies
- > Economic Impact Studies
- > Litigation Support
- > Utility Bond Feasibility Studies

Professional History

- > Raftelis Financial Consultants, Inc.: Director of Valuation Services / Manager (1999-present)
- > Andersen Consulting: Consultant (1996-1998)

Education

- > Masters in Business Administration - University of Tennessee (1996)
- > Bachelor of Science - College of William and Mary (1993)

Professional Certifications

- > Certified Business Appraiser

Professional Memberships

- > Institute of Business Appraisers
- > American Water Works Association

Leta Hals, CBA

Lead Consultant (Manager, RFC)

Profile

Ms. Hals has developed strong project management skills over her 10 years of providing financial consulting services to utilities across the United States and in Canada. She has been with RFC since 1999 and is a designated Certified Business Appraiser by the Institute of Business Appraisers. She has performed numerous studies for utilities across the United States, and has given presentations on utility financial matters at state, regional, and national conferences, including American Water Works Association's Annual Conference and Exposition and AWWA/WEF's Joint Management Conference. Ms. Hals authored the chapter entitled, "Valuation of Water and Wastewater Utility Assets" of George Raftelis' book, Water and Wastewater Finance and Pricing – A Comprehensive Guide (Third Edition), which has become an authoritative document for establishing utility financing plans and pricing structures. Ms. Hals is adept at providing a range of financial services for utilities and has provided litigation support and expert witness testimony on several occasions.

Relevant Project Experience**South Brunswick, North Carolina**

Ms. Hals provided consultation and expert witness testimony regarding the potential value of the sewer system previously owned by South Brunswick Water and Sewer Authority.

City of Pekin, Illinois

RFC conducted a valuation and economic feasibility study for the City of Pekin to assess the viability of acquiring the portion of the Illinois-American Water Company (IAWC) system serving the Pekin area. As a precursor to condemnation proceedings, Ms. Hals provided direct testimony to the Illinois Commerce Commission (ICC) regarding the feasibility of the City to own and operate the water system.

Nova Scotia Utility and Review Board, Halifax, Nova Scotia

Ms. Hals served as Lead Technical Advisor for RFC's engagement with the Nova Scotia Utility and Review Board (Board) to review the "return on rate base" methodology and provide recommendations for establishing policy for utilities seeking to include this component as part of their revenue requirements. The Board's primary goal for the engagement was the development of a generic formula for determining the appropriate rate of return that utilities could use as they prepared their rate filing. During the engagement, RFC realized that the Board was dealing with an issue that included the fact that a number of utilities regulated by the Board had accumulated

deficits and were attempting to recover funds to offset their deficits through their proposed return on rate base. Therefore, in an effort to help the Board address this issue, RFC proposed both a standardized rate of return formula for use by the Board and the utilities, as well as suggested mechanisms by which these accumulated deficits could be addressed. The standardized rate of return formula suggested by RFC was ultimately adopted by the Board. Services provided by RFC included:

- > Assessment of municipal rate of return methodologies employed by other Canadian providences;
- > Identification of issues and goals to be addressed by a standardized municipal rate of return;
- > Cost of capital equations considering risk and the weighting and costs of debt and equity (e.g., buildup method, capital asset pricing model, etc.); and
- > Suggestion of deficit recovery policies and/or mechanisms for building of reserves.

City of Peoria, Illinois

Ms. Hals conducted a valuation and economic feasibility study for the City of Peoria (City) to assess the viability of acquiring the portion of the IAWC system serving the Peoria area. An 1889 franchise agreement between IAWC and the City gives the right for the City to purchase the system without condemnation and was upheld in the Illinois courts. RFC assisted the City in the arbitration process to establish the price at which the City can acquire the system.

City of Ottawa, Canada

Ms. Hals is the current Project Manager for the rate and revenue recovery study performed for the City of Ottawa. RFC was engaged to provide professional services to undertake full cost accounting for its water, wastewater, and storm water systems, investigate means for recovering those costs, and develop a rate structure in support of the preferred approach. Specific services provided include:

- > Education of key stakeholders on water, wastewater, and storm water rate setting

- > Identification of pricing objectives and review of alternative rate structures
- > Assimilation of water, wastewater, and storm water data to determine cost of service for each service area
- > Development of alternative rate structures for water, wastewater, and storm water rates
- > Assessment of customer impacts
- > Advisement on public consultation and communication
- > Development of a 50-year financial plan to be incorporated into providential financial planning requirements

Specifically related to the storm water system, RFC assisted the City in identifying specific storm water costs, as well as allocating a portion of overhead-related utility costs to storm water services. RFC has discussed storm water cost recovery mechanisms with the City, including sewer rates, flat storm water rates, and storm water rates based on other recovery factors such as property value or impervious surface area. The City is currently considering these options and is projecting long-term cost needs. RFC is also working with the City to implement the Public Consultation and Communication Plan for communicating the information, recommendations, and results of RFC's study.

Little Rock Wastewater Utility, Little Rock, Arkansas

In conjunction with MWH Americas, Ms. Hals performed an asset approach valuation of the Little Rock Wastewater Utility (LRWU) assets as part of an Asset Management program. The final outputs of the project also included a flexible database tool that will continue to track statistics on all asset data, original and replacement cost asset values, condition assessments, depreciation, as well as a projection of the year of replacement and the corresponding future replacement cost for each asset. The data gathered and conclusions of this analysis will be utilized to manage and optimize the existing equity in the LRW system by facilitating a variety of management decisions, including: rate making, asset management endeavors, long-range financial planning, long-range capital funding needs, and requirements for insurable assets.

City of Peoria, Arizona

Ms. Hals conducted valuation and economic feasibility studies of three private water systems in the Peoria, Arizona area. The city considered purchasing one or more of the three utilities through friendly negotiations if it was determined to be economically feasible. Ms. Hals assessed the fair market value of the three systems, as well as the investment value of the systems to the purchasing municipality, and was engaged to update the analysis in subsequent years.

City of Redlands, California

Ms. Hals estimated the value of the water and sewer assets owned by the City of Redlands (City) under the asset approach to valuation. It is RFC's understanding that this report will be used by the City to determine an appropriate annual lease payment if it wishes to lease its water and sewer facilities to another party. RFC's analysis included a valuation of the City's water rights.

San Diego Metropolitan Joint Powers Authority, California

Ms. Hals served as Project Manager and was the lead technical consultant for valuing the capacity rights in the Metro Wastewater JPA system. RFC's scope of work included the assessment of the various methodologies used to value capacity and to recommend the most appropriate methodology. The analysis included an assessment of methodologies to address valuations of their capital investments and/or capacity rights. Ms. Hals also valued the transfer of capacity rights for a pending transaction, as well as recommended a methodology to be used for determining value in future capacity transactions.

San Diego County Water Authority, California (through assistance to Hawkins, Delafield and Wood)

Ms. Hals served as Project Manager for this project in which RFC was engaged by special counsel to the Authority to provide valuation services to assist the special counsel in offering legal advice to the Water Authority. Details of this project are confidential.

GAC Holdings, Inc., South Carolina

Ms. Hals valued a water source located in the Aiken

South Carolina area. The current land owner has up to 42 million gallons per day that he is interested in selling to a local utility. Ms. Hals performed a formal appraisal of the Fair Market Value of the water on a per thousand gallon basis, as well as long-term rights to the water in the future.

White House Utility District, Tennessee

Ms. Hals estimated the Fair Market Value and assessed the financial feasibility of White House Utility District (WHUD) selling their sewer assets to two neighboring municipalities. As a follow-up, WHUD requested Ms. Hals to perform a similar analysis for a portion of their water system. It is RFC's understanding that negotiations are currently on hold given the current economic environment. RFC has also provided WHUD with financial and rate consulting services for the past five years.

Charlotte-Mecklenburg Utilities, North Carolina

Ms. Hals served as Project Manager and lead technical consultant for a valuation analysis of a utility to be purchased by CMU. Ms. Hals also manage an extensive market analysis of buying and selling patterns in the utility marketplace. Given Ms. Hals' analysis, the City was able to negotiate a favorable transaction.

City of San Diego, California

RFC conducted a valuation analysis of the City of San Diego's ownership of capacity in the All American Canal (AAC). RFC's analysis will potentially be used in negotiations with the Government of Mexico and the International Boundary and Water Commission to ease political tensions that have risen due to the relining of the AAC and decreased water supply to border residents.

San Diego County Water Authority, California

RFC conducted a valuation analysis of the San Diego County Water Authority's capacity-related assets. RFC relied upon engineering data provided by MWH. to calculate the total replacement value of the Authority's asset. The value will be used by the Authority to calculate its System Capacity Charge. The project also entails identification of next steps in the Authority's pursuit of a more comprehensive asset management program.

City of Birmingham, Alabama

Ms. Hals conducted multiple valuation and economic feasibility studies of municipal water and sewer systems for the Birmingham Water Works Board (BWVB). BWVB was able to successfully move out of the sewer business, selling their systems at values within Ms. Hals' range of estimations. BWVB is also in the process of negotiating a purchase of a municipal water system within the range of values provided by RFC. Consistent with appraisal practices, RFC utilized the same valuation methodologies for all purchases, regardless of whether BWVB was the buyer or seller. RFC continues to provide on-going financial and pricing assistance to BWVB including annual rate updates, bond feasibility studies, and drought surcharge analyses.

Greenville Utilities Commission, North Carolina

Ms. Hals assisted Greenville Utilities Commission (GUC) by providing a valuation and economic feasibility analysis for the purchase of a disputed customer service territory. Ms. Hals performed an investment value analysis that determined the feasibility of purchasing the disputed customer service area at a range of purchase prices. Ms. Hals utilized RFC's market transaction database to determine the value that the current marketplace places on sales of similar service areas. RFC has been engaged more recently to also assist the City with a purchase of a neighboring utility.

City of South Shore, Kentucky

Ms. Hals provided utility appraisal services for the City of South Shore (City). The City was considering the purchase of South Shore Water Works Company. Ms. Hals determined the fair market value of the physical and intangible assets of this privately-held agency and provided the results in a formal Appraisal Report.

Grand Strand Water and Sewer Authority, South Carolina

Ms. Hals provided consulting services regarding the purchase of land currently leased to the Grand Strand Water and Sewer Authority (Authority) for the location of water and sewer treatment facilities. The analysis entailed

developing a variety of methodologies to consider both the fair market and investment values of the land to the Authority and the current land holder.

Concord, North Carolina

Ms. Hals performed an investment value analysis for the City of Concord (City) and the Town of Midland (Town). The City is considering selling a portion of its system to the Town, whose residents are customers of the City. Ms. Hals also utilized RFC's market transaction database to determine the value the current marketplace places on sales of similar service areas. The City and Town both agreed upon Ms. Hals' price conclusions; however, negotiations stalled due to current economic conditions. RFC continues to provide on-going consulting services to the City including wholesale analyses, bond feasibility studies, as well as conservation rate structure design.

St. Charles County Government, Missouri

Ms. Hals provided assistance to the St. Charles County Government (St. Charles) by reviewing a third party appraisal prepared by an independent financial firm. The appraisal assigned value to the municipally owned St. Charles Water Treatment Plant and was performed for a private, potential buyer that was currently being served by the plant. St. Charles retained RFC to review the appraisal to determine whether the value assigned in the appraisal was a fair market value.

Borough of West Paterson, New Jersey

RFC conducted a valuation and economic feasibility study for the Borough of West Paterson (Borough) to assess the viability of acquiring the portion of the New Jersey-American system serving the West Paterson area. The Borough currently has its own water department that serves two-thirds of the population of West Paterson.

Lexington-Fayette Urban County Government, Kentucky

RFC conducted a valuation and economic feasibility study for the Lexington-Fayette Urban County Government (LFUCG) to assess the viability of acquiring the

Kentucky-American Water Company (KAWC). An independent panel chosen by the judge valued the system within 10% of RFC's estimated value.

United States Navy

RFC teamed with Navigant Consulting, Inc. and Grant Thornton, LLP in assisting the Atlantic and Southern Divisions of Naval Facilities Engineering with utilities privatization. RFC performed a broad range of tasks for the Navy including the development of a valuation approach for determining fair market value of the Navy's water and wastewater systems at 57 sites in the Eastern United States. Ms. Hals managed and provided the technical expertise on the valuation portion of the Navy project.

Other Relevant Project Experience

- > Asheville-Buncombe County, North Carolina - Bond Feasibility Study and Cost of Service Analysis
- > Borough of Carneys Point, New Jersey - Economic Feasibility Analysis
- > City of Chattanooga, Tennessee - Financial Valuation and Economic Impact Analysis; Litigation Support
- > City of Johnson City, Tennessee - 2007 Rate Update
- > City of Loveland, Ohio - Wastewater Valuation Study
- > City of Phoenix, Arizona - Alternate Service Delivery Analysis (Financial Strength Assessment)
- > City of Wilmington, Delaware - Valuation and Financial Feasibility Study
- > Georgetown County Water and Sewer District, South Carolina - Valuation Study
- > Hallsdale-Powell Utility District, Tennessee - Water and Wastewater Rate and Financial Planning Study
- > Metropolitan Government of Nashville and Davidson County Water Services, Tennessee - Bond Feasibility Study, Budget Review, Cost of Service Study, Rate Study and Updates, and Surcharge Model
- > Pima County, Arizona - Alternate Project Delivery (Financial Strength Assessment)
- > Shelby County, Alabama - Ownership and Management Feasibility Study
- > Town of Meredith, New Hampshire - Rate Study

Professional Speaking Engagements

- > "Optimizing Utility Effectiveness through Mergers and Acquisitions", AWWA/WEF Joint Management Conference (February 2004)
- > "Navigating the Perfect Storm of Utility Finance: Strategies to Meet Unfunded Mandates, Fund Capital Renewal & Replacement, and Avoid Rate Shock", AWWA Annual Conference & Exposition (June 2004)
- > "Asset Management and Capital Planning - Funding for Capital Improvements", Huntersville, NC (September 2006)
- > "Benefits of Utility Acquisition/Consolidation and How to Value a Utility", AWWA Florida Annual Conference, Orlando, Florida (October 2006), Presenter; North Carolina AWWA Annual Conference, Greensboro, North Carolina (October 2006), Presenter; AWWA/WEF Joint Management Conference, Salt Lake City, Utah (February 2006), Author; California/Nevada AWWA Annual Conference, Long Beach, California (November 2006), Author; New Jersey AWWA Annual Conference, Atlantic City, New Jersey (March 2007), Presenter; New York AWWA Annual Conference, Saratoga Springs, New York (April 2007), Presenter; Tennessee/Kentucky AWWA Annual Conference, Louisville, Kentucky (July 2007), Presenter.
- > "Who Cares What Your Utility is Worth? You Do!", California/Nevada AWWA Spring Conference, Las Vegas, California (April 2007), Presenter.
- > "Asset Valuation: A Cost Effective Jump Start to Advanced Asset Management Techniques", ASCE Pipeline Conference, San Diego, California (August 2009), Presenter



August 25, 2010

Department of Administration
Purchasing Division
Building 15
2019 Washington Street, East
Charleston, WV 25305-0130

Addendum Acknowledgement: RFQ No. PSC11521

Per the request of Mr. Frank Whittaker, I have attached a signed copy of the Addendum for RFQ No. PSC11521. Please attach this signed Addendum with our bid that was delivered on August 19, 2010.

Please contact me at 704.373.1199 or dgeorge@raftelis.com if you have any questions or need any additional information.

Respectfully,

RAFTELIS FINANCIAL CONSULTANTS, INC.

David George
Marketing Coordinator

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Purchasing Division
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Post Office Box 50130
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Request for Quotation

RFQ NUMBER
PSC11521

PAGE NO.
1

ADDRESS FOR CORRESPONDENCE (ATTENTION OF)
FRANK WHITTAKER
304-558-2316

RFQ COPY
TYPE NAME/ADDRESS HERE

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
201 BROOKS STREET

CHARLESTON, WV
25301 340-0323

DATE PRINTED		TERMS OF SALE		SHIP VIA		FOB		FREIGHT TERMS	
08/18/2010									
BID OPENING DATE		08/31/2010		BID OPENING TIME		01:30PM			
LINE	QUANTITY	UNIT	UNIT PRICE	AMOUNT					
<p>***** ADDENDUM NO. 1 *****</p> <p>THIS ADDENDUM IS ISSUED TO:</p> <p>1) EXTEND THE DEADLINE FOR TECHNICAL QUESTIONS TO 08/20/2010 AT THE CLOSE OF BUSINESS, AND PROVIDE CLARIFICATION FOR THE SUBMISSION OF TECHNICAL QUESTIONS. ALL TECHNICAL QUESTIONS MUST BE SUBMITTED IN WRITING TO FRANK WHITTAKER IN THE WV PURCHASING DIVISION VIA EMAIL AT FRANK.M.WHITTAKER@WV.GOV OR VIA FAX AT 304-558-411. ALL TECHNICAL QUESTIONS WILL BE ADDRESSED BY ADDENDUM AFTER THE DEADLINE.</p> <p>2) DELETE PARAGRAPH 2 ON PAGE 4 OF THE ORIGINAL RFQ (REFERENCING SUBMISSION OF QUESTIONS) IN ITS ENTIRETY.</p> <p>3) EXTEND THE BID OPENING DATE AND TIME TO: 08/31/2010 AT 1:30 PM</p> <p>***** END ADDENDUM NO. 1 *****</p>									
SEE REVERSE SIDE FOR TERMS AND CONDITIONS									
SIGNATURE		TELEPHONE		DATE					
[Signature]		304 932-4440		8/25/10					
TITLE		FEBN		ADDRESS CHANGES TO BE NOTED ABOVE					
Van Buren		20-1054069							

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

**GENERAL TERMS & CONDITIONS
REQUEST FOR QUOTATION (RFQ) AND REQUEST FOR PROPOSAL (RFP)**

1. Awards will be made in the best interest of the State of West Virginia.
 2. The State may accept or reject in part, or in whole, any bid.
 3. Prior to any award, the apparent successful vendor must be properly registered with the Purchasing Division and have paid the required \$125 fee.
 4. All services performed or goods delivered under State Purchase Order/Contracts are to be continued for the term of the Purchase Order/Contracts, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods this Purchase Order/Contract becomes void and of no effect after June 30.
 5. Payment may only be made after the delivery and acceptance of goods or services.
 6. Interest may be paid for late payment in accordance with the *West Virginia Code*.
 7. Vendor preference will be granted upon written request in accordance with the *West Virginia Code*.
 8. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
 9. The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the seller.
 10. The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern the purchasing process.
 11. Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
 12. **BANKRUPTCY:** In the event the vendor/contractor files for bankruptcy protection, the State may deem this contract null and void, and terminate such contract without further order.
 13. **HIPAA BUSINESS ASSOCIATE ADDENDUM:** The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, is available online at www.state.wv.us/admin/purchase/vro/hipaa.htm and is hereby made part of the agreement. Provided that the Agency meets the definition of a Cover Entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the vendor.
 14. **CONFIDENTIALITY:** The vendor agrees that he or she will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the agency's policies, procedures, and rules. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in <http://www.state.wv.us/admin/purchase/privacy/noticeConfidentiality.pdf>.
 15. **LICENSING:** Vendors must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, and the West Virginia Insurance Commission. The vendor must provide all necessary releases to obtain information to enable the director or spending unit to verify that the vendor is licensed and in good standing with the above entities.
 16. **ANTITRUST:** In submitting a bid to any agency for the State of West Virginia, the bidder offers and agrees that if the bid is accepted the bidder will convey, sell, assign or transfer to the State of West Virginia all rights, title and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the State of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the State of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to the bidder.
- I certify that this bid is made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership, or person or entity submitting a bid for the same material, supplies, equipment or services and is in all respects fair and without collusion or fraud. I further certify that I am authorized to sign the certification on behalf of the bidder or this bid.

INSTRUCTIONS TO BIDDERS

1. Use the quotation forms provided by the Purchasing Division. Complete all sections of the quotation form.
2. Items offered must be in compliance with the specifications. Any deviation from the specifications must be clearly indicated by the bidder. Alternates offered by the bidder as **EQUAL** to the specifications must be clearly defined. A bidder offering an alternate should attach complete specifications and literature to the bid. The Purchasing Division may waive minor deviations to specifications.
3. Unit prices shall prevail in case of discrepancy. All quotations are considered F.O.B. destination unless alternate shipping terms are clearly identified in the quotation.
4. All quotations must be delivered by the bidder to the office listed below prior to the date and time of the bid opening. Failure of the bidder to deliver the quotations on time will result in bid disqualifications: Department of Administration, Purchasing Division, 2019 Washington Street East, P.O. Box 50130, Charleston, WV 25305-0130
5. Communication during the solicitation, bid, evaluation or award periods, except through the Purchasing Division, is strictly prohibited (W.Va. C.S.R. §148-1-6.6).

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

West Virginia Code §5A-3-10a states: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

DEFINITIONS:

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceeds five percent of the total contract amount.

EXCEPTION: The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (*West Virginia Code §61-5-3*), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

WITNESS THE FOLLOWING SIGNATURE

Vendor's Name: Raftelis Financial Consultants, Inc.

Authorized Signature: [Signature] Date: 8/13/10

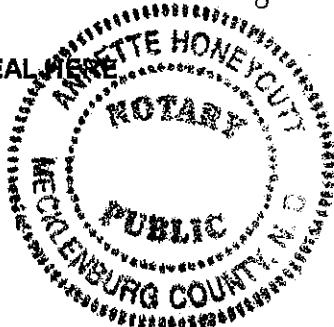
State of North Carolina

County of Mecklenburg, to-wit:

Taken, subscribed, and sworn to before me this 18th day of August, 20 10.

My Commission expires August 13, 20 12.

AFFIX SEAL



NOTARY PUBLIC

Annette Honeycutt