Building a Better World for All of Us®

11/9/2026

RE: City of Blair
Water Utility Rate Study
SEH No. BLAIC 194450

CJ Heaton, MPA
Deputy City Administrator of Public Works
City of Blair
218 South 16th Street
Blair, NE 68008

Dear CJ Heaton:

Thank you for the opportunity to submit this proposal for a water utility rate study for the City of Blair. Based on the City's October 2026 request and subsequent discussions, SEH understands that the City needs a defensible 10-year financial and rate plan that supports State Revolving Fund debt coverage, addresses the industrial contract customer, and provides clear recommendations for City staff, bond counsel, and the City Council.

This proposal provides a focused financial and industrial customer rate study rather than the full class-level cost-of-service study described in the City's original request. The study will evaluate revenue requirements, debt service coverage, current rates, and the allocation of costs between the industrial contract customer and all other customers combined. It will not allocate costs among individual residential, commercial, rural, and other non-industrial customer classes. Before authorization, the City should confirm with bond counsel and the State Revolving Fund program that this focused scope will satisfy applicable study and financing requirements. This letter presents SEH's proposed scope of services, schedule, and lump-sum professional services fee.

PROJECT UNDERSTANDING

The City's current water rates do not provide the targeted debt service coverage. The City is also planning additional capital investment, including pump station and lead service line work, and needs to evaluate how existing and future debt should be recovered through rates. The study will evaluate current financial performance, prepare 10-year projections, test alternative rate structures, and recommend a rate plan designed to achieve a debt service coverage ratio of at least 1.50, subject to confirmation of the applicable loan covenant definitions.

The base scope includes a focused, cost-supported analysis of the industrial contract customer. Costs will be allocated between the industrial contract customer and all other customers combined. A full cost-of-service study, including allocation among individual residential, commercial, rural, and other customer classes, is not included but may be provided as an Additional Service upon written authorization.

PROJECT TEAM AND RESPONSIBILITIES

SEH has identified the following team members for this proposal. Team members may be adjusted as needed based on final scope, schedule, and authorization.

Role	Name	Primary Responsibility
Project Manager	Maria McCarty	Client coordination and development of the rate study.
Client Service Manager	Brent Clark	Client relationship support and executive coordination.

SCOPE OF SERVICES / WORK PLAN

The following task descriptions outline SEH's proposed professional services. When practical, the task structure below should align with the working fee estimate and project schedule.

Task 1.0: Project Management

SEH will manage the work over the anticipated six-month study period. Services include project setup, schedule and budget tracking, invoicing, internal coordination, and routine coordination with City staff.

Task 2.0: Data Collection and Data Summary

SEH will prepare a data request and review the City's available financial, billing, operational, capital, debt, and contract information. The purpose of this task is to establish an agreed-upon basis for the projections and rate model before rate alternatives are developed.

Services included:

- Review population, customer connections by class, meter sizes, water use by class, operating expenditures, non-rate revenue, and current rates.
- Reconcile calculated billing revenue to available billing records, the general ledger, and audited financial statements.
- Review existing and planned debt and summarize applicable debt coverage definitions, reserve requirements, and parity provisions identified in the documents provided by the City.
- Review the industrial customer contract and amendments and summarize provisions relevant to rates, capacity commitments, dedicated facilities, and cost recovery.
- Prepare an assumptions register identifying source data, proposed assumptions, unresolved data gaps, and items requiring City or bond counsel confirmation.
- Draft Technical Memorandum 1 with summary of data.

Meetings and coordination, if applicable:

- Kickoff with City Staff (Virtual)

Task 3.0: Ten-Year Financial Projections

SEH will prepare 10-year projections that establish the revenue requirement and financial basis for the rate recommendations.

Services included:

- Project population, customer connections, and water demand by class, including anticipated industrial demand changes identified by the City.
- Project operating expenditures and non-rate revenue using documented escalation and growth assumptions.
- Incorporate the City's capital plan, including pump station improvements and lead service line costs to be recovered through water rates.
- Prepare schedules for existing and planned debt, including applicable SRF financing assumptions provided by the City or its financial advisors.
- Update Technical Memorandum 1 to document the projections and confirmed assumptions.

Meetings and coordination, if applicable:

- Review of Technical Memorandum 1 with City Staff (Virtual)

Deliverables:

- Draft Technical Memorandum 1: Data Summary and Projections
- Final Technical Memorandum 1: Data Summary and Projections

Task 4.0: Rate Model and Existing Rate Evaluation

SEH will develop a project-specific Excel rate model with visible formulas, documented assumptions, and scenario controls. The model will evaluate the financial performance of current rates and establish the basis for proposed alternatives.

Services included:

- Model connections, water use, meter-size equivalents, operating costs, capital costs, debt service, cash balances, and rate revenue over the 10-year planning period.
- Calculate debt service coverage using the applicable covenant definition and the City's target of 1.50.
- Evaluate the effect of current rates on annual revenue sufficiency, cash position, and debt coverage.
- Focused industrial contract customer cost analysis:
    - Develop industrial and system demand factors using available consumption, production, SCADA, contract, or other demand information.
    - Group system costs by function and identify the cost drivers applicable to average use, maximum-day demand, peak-hour demand, and customer-related costs.
    - Identify facilities and debt that serve only, or primarily, the industrial customer based on information provided by the City.
    - Allocate costs between the industrial contract customer and all other customers combined and compare the resulting industrial revenue requirement with current contract revenue.
    - Where customer-specific demand, capacity, facility-use, or cost records are unavailable, SEH will develop reasonable allocation assumptions using the best available information. SEH will document these assumptions for City review. The availability and quality of this information may materially affect the industrial customer allocation and resulting rate recommendations.

Meetings and coordination, if applicable:

- Review of Existing Rate Results with City Staff (Virtual)

Task 5.0: Proposed Rates and Final Memorandum

SEH will develop and compare two proposed rate structures intended to meet the City's financial objectives and debt service coverage target. The alternatives will include a cost-supported recommendation for the industrial contract customer and rate adjustments for all other customers based on revenue needs, meter equivalents, consumption, and policy direction. The base scope does not determine the cost of service for the individual non-industrial classes.

Services included:

- Calculate annual revenue, cash balances, and debt service coverage under each alternative.
- Evaluate scenarios for demand, operating costs, capital costs, interest rates, loan terms, and industrial cost allocation assumptions.
- Prepare customer bill impacts.
- Prepare recommended rate schedules and supporting model outputs for transfer to the City's designated Waterworth representative and participate in one virtual Waterworth coordination session.
- Prepare a final rate memorandum describing the recommended rate plan, financial results, assumptions, limitations, and implementation considerations.

- Prepare and deliver a remote presentation to the City Council.

Meetings and coordination, if applicable:
- Two meetings with City Staff (Virtual)
- Two meetings with City Staff and Bond Council (Virtual)
- One presentation to City Council (Virtual)

Deliverables:
- Two rate alternatives in the Excel rate model
- Draft Recommended Rate Memorandum
- Final Recommended Rate Memorandum
- Rate Schedules and Waterworth Handoff Tables
- City Council Presentation Materials

ASSUMPTIONS, CLARIFICATIONS, AND EXCLUSIONS

SEH's scope, schedule, and fee are based on the following assumptions, clarifications, and exclusions:

General Assumptions
- The study period is 10 years.
- The anticipated project duration is six months following authorization and receipt of substantially complete data.
- Deliverables will be provided electronically unless otherwise stated in the Scope of Services.
- Material changes to source data, projections, assumptions, or City direction after City review of Technical Memorandum 1 may require an adjustment to the scope, schedule, and fee. Services resulting from such changes may be performed as Additional Services upon written authorization.

CITY RESPONSIBILITY

City of Blair will provide available background information, prior studies, record drawings, financial information, customer and consumption data, and other materials needed to complete the proposed analysis.

City of Blair will provide requested data electronically in a form suitable for analysis. Account-level billing information will be provided in Excel or another usable tabular format.

City of Blair is responsible for verifying the completeness and accuracy of information provided to SEH.

City of Blair will review interim and final deliverables and provide one consolidated set of comments for each review cycle.

City of Blair will provide available information identified below or notify SEH if an item is unavailable.
- Prior water rate studies
    - Available electronic copies of the studies, including supporting tables or models if available.
- Rate ordinances and schedules
    - Current water rate schedules and billing determinants, including fixed charges, volumetric rates, meter-size charges, customer classes, and other billing components.
- Customer and water-consumption data
    - Account-level billing data in Excel or another usable tabular format, including account or customer identifier, customer class, meter size, billed water use, billed revenue, and billing period.
    - System water-production records and available maximum-day or peak-hour demand information.

    - Available meter, SCADA, contract-demand, or other demand records supporting the industrial customer cost analysis.
- Adopted budgets
    - Available water utility budget detail, including operating expenditures, non-rate revenue, transfers, capital expenditures, debt service, and reserve contributions.
- Audited financial statements.
    - Financial statements or general-ledger detail needed to reconcile billing revenue, operating expenditures, non-rate revenue, cash balances, transfers, and reserves to the audited financial statements and adopted budgets.
- Capital plans.
    - Project descriptions, estimated costs, anticipated timing, proposed funding sources, and the portion the City expects to recover through water rates.
    - The intended rate-funded portion of the pump station and lead service line work.
- Debt and loan documents.
    - Amortization schedules, controlling loan and bond agreements, reserve requirements, parity provisions, planned borrowing assumptions, and other documents needed to calculate debt service coverage.
    - Identification of debt and loan obligations applicable to the water utilities.
- Bond council and legal direction
    - City of Blair and its bond counsel will identify the controlling debt documents and provide the applicable debt service coverage definitions and legal interpretations.
    - SEH will rely on information provided by the City and its bond counsel and will not provide legal opinions or legal interpretations.
- Industrial customer contracts.
    - The current industrial customer contract and amendments.
    - Known future demand or contract changes.
    - Available information identifying dedicated or customer-specific facilities, capital costs, and debt.
- Growth projections
    - Known residential, commercial, rural, industrial, or other customer growth expected during the 10-year planning period.
- Waterworth information
    - Available Waterworth inputs and outputs.
    - Contact information for the City's designated Waterworth representative.
- State Revolving Fund coordination
    - City of Blair will obtain and provide applicable guidance from bond counsel and the State Revolving Fund program regarding debt service coverage, study or certification requirements, minimum submittal requirements, and whether a full cost-of-service study is required.

Schedule adjustments resulting from delayed, incomplete, or unusable City-provided information will not be considered delays attributable to SEH.

SCOPE LIMITATIONS

Meetings and Review Cycles

- The Scope of Services includes five staff meetings, two bond counsel working sessions, and one City Council presentation.
- All meetings will be conducted virtually.
- City review of the final memorandum is limited to two consolidated review cycles.
- City of Blair will provide one consolidated set of comments for each review cycle.

Rate Model Scenarios

- The Scope of Services includes two proposed water rate model scenarios.

- Additional scenarios or separate versions of either rate model developed for comparison are not included in the Scope of Services.
- Industrial Customer Analysis
- Industrial cost allocation will be limited to the industrial contract customer and all other customers combined.
- The Scope of Services does not include a full cost-of-service study or allocation of costs among residential, commercial, rural, industrial, and other customer classes.
- SEH will evaluate and recommend changes to the industrial contract rate but will not participate in contract negotiations.

Lead Service Line Costs

- Lead service line costs will be included in the water rate model only if City of Blair directs SEH to recover those costs through water rates.

Waterworth Coordination

- SEH will coordinate with the City's designated Waterworth representative, provide the recommended rate schedules and supporting model outputs, and participate in one virtual working session to explain the recommended rate structure, financial projections, and model assumptions.
- The City or its designated Waterworth representative will be responsible for entering the information into Waterworth and configuring the software.
- SEH's scope does not include Waterworth configuration, data entry, software administration, ongoing model maintenance, or independent verification of calculations produced by Waterworth.
- Investigation or resolution of discrepancies between the SEH rate model and Waterworth outputs may be provided as an Additional Service upon written authorization.
- The Waterworth working session is included within the five City staff meetings identified in this Scope of Services and is not an additional meeting.

ADDITIONAL SERVICES

Additional Services may be provided upon written authorization if requested by City of Blair or required due to changes in project scope, schedule, assumptions, or conditions not included in this proposal.

Additional Services may include, but are not limited to:

- Meetings, site visits, presentations, deliverables, or review cycles beyond those identified in the Scope of Services.
- Services required because of changed conditions, City-directed changes, or changes in project size, complexity, schedule, funding, or delivery method.
- Additional rate model scenarios or separate model versions developed for comparison.
- A full cost-of-service study allocating costs among residential, commercial, rural, industrial, and other customer classes.
- Development of class peaking factors, fire-protection allocations, inside- and outside-City allocations, cost-based revenue requirements by customer class, or a class-specific rate phase-in plan.
- Preparation or updating of a capital improvement plan.
- Regional utility rate comparisons.
- In-person meetings and associated travel expenses, if separately requested and authorized.
- Waterworth configuration, data entry, ongoing administration, output verification, or discrepancy resolution.
- Preparation of rate ordinances or resolutions.
- Preparation or submission of State Revolving Fund or other funding applications.
- Public engagement or public outreach beyond the City Council presentation included in the Scope of Services.

- Permitting, bidding, construction administration, grant support, or specialty technical services not specifically included in the Scope of Services.

PROJECT SCHEDULE

SEH is prepared to begin work upon written authorization and receipt of the requested information. The anticipated project duration is six months. The schedule depends on timely receipt of complete data, prompt decisions from the City and bond counsel, and consolidated review comments.

COMPENSATION

Based on the scope of services, assumptions, clarifications, exclusions, and schedule described above, SEH proposes to complete the work for a lump professional services fee as summarized below. Computer charges are included in the fee. Remaining funds within individual tasks may be reallocated to other tasks as needed to complete the scope of work.

Task	Description	Fee
Task 1.0	Project Management	$10,000
Task 2.0	Data Collection and Data Summary	$7,100
Task 3.0	10-Year Financial Projections	$5,600
Task 4.0	Rate Model and Existing Rate Evaluations	$8,600
Task 5.0	Proposed Rates and Final Memorandum	$14,300
Total		**$45,600**

SUMMARY

We look forward to the opportunity to work with the City of Blair on this project. Please contact Maria McCarty at 507-508-4707 or mmccarty@sehinc.com with any questions or requests for additional information.

Sincerely,

Maria McCarty
Project Manager

Brent Clark
Client Service Manager

c: Susan Danzl- SEH