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City Manager's Office

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TO: Mayor and City Council

FROM: Steven L. Schainker, City Manager

DATE: June 11, 2010

SUBJECT: City Council June 15th Workshop – Discussion of Cost of Service/Electric Rate Studies

During the coming fiscal year, we hope to engage in both a Cost of Service and a Rate Study for the Electric Utility. I can predict that the results of these analyses will have a positive impact on some of our electric customers and a negative impact on others. Therefore, prior to initiating these critical studies, I believe it is important that you, the EUORAB Board members, and our electric customers are provided background information regarding these two tasks.

In order to facilitate a discussion regarding these studies, we asked Mark Beauchamp to provide you with background information at your workshop next Tuesday night. I have been told that Mr. Beauchamp has been engaged by the American Public Power Association (APPA) to present training seminars for member utilities regarding these issues.

Mark has over 26 years of experience in a utility environment. He has completed cost of service and rate studies for over 200 municipal systems around the nation and served as an expert witness in rate cases around the county. Prior to starting his own consulting practice, he held a number of positions with one of the largest municipal systems in Michigan and with a national consulting firm.

Mark is a Certified Management Accountant and Certified Public Accountant. He is recognized as a national expert in developing cost of service, unbundling and rate design studies for utilities and has spoken at several seminars regarding utility issues including cost of service studies for water and sanitary sewer utilities, benchmarking costs, marginal cost analysis, and electric cost of service and unbundling.

