



**Bentonville Utility Board
Meeting Agenda
November 4, 2025
11:30 AM
Bentonville City Hall**

Call to Order

Pledge of Allegiance

Attendance

Approval of Minutes: October 21, 2025

I. New Business

1. **Revised Bella Vista Wholesale Water Agreement** **Informational**
Revising the Bella Vista Wholesale water agreement.
2. **Resolution Approving an Agreement for McAuley Place Sanitary Sewer Cost Share** **Resolution**
Resolution approving Development Agreement with "Excellerate Housing, LLC. for 395 feet of sewer upgrades associated with McAuley Place off site upgrades. The section being replaced within the agreement was at capacity prior to the McAuley Place development. No budget adjustment is needed.
3. **Ordinance to Waive Competitive Bidding to Order 3-Phase Transformers** **Ordinance***
Approval of an Ordinance to waive competitive bidding to purchase 3ph transformers from AECL, Unit Prices and estimated quantities attached, plus applicable taxes. Due to market volatility and lead times related to these products, it would be neither practical or feasible to solicit competitive bids. No budget adjustment is needed.



City of Bentonville, Arkansas Agenda Item Form

Item Details

Council Meeting Date:		Submitted By:	
Phone:		For Department(s):	
Email:			

Item Type (Check all that apply)

<input type="checkbox"/> Informational	<input type="checkbox"/> Bid Award	<input type="checkbox"/> Enter into an Agreement	<input type="checkbox"/> Change Order
<input type="checkbox"/> Recognizing Funds	<input type="checkbox"/> Budget Adjustment	<input type="checkbox"/> Waiver of Bid	<input type="checkbox"/> Emergency Clause
<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Informational	

Title, Recommendation & Justification

Title:	
Action Recommendation & Justification:	
Additional Comments for Consideration (Optional):	

Amount for Approval:	\$
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Budget Impact

Is this Item Budgeted? YES NO ITEM HAS NO COST OTHER: _____

Budget Adjustment (to be completed by Finance when applicable)

Account Number (ORG-OBJECT)	Account Description	Expense	Revenue
		\$	\$
		\$	\$
		\$	\$
		\$	\$

Fund(s) Impacted

(check all that apply)

General Fund **Utility Fund** **Street Fund** **Other(s):** _____

Budget Impact Notes for Consideration (Optional):

DRAFT MEMO

To: Mayor Orman, Members of City Council

From: Collin Drat, Tom Beckly (Raftelis)

Date: October 31, 2025

Re: Wholesale Water Rate Memo

Dear Mayor Orman and Members of City Council,

Raftelis recently completed water and wastewater rate studies for the City's retail customers. This memorandum summarizes the rate recommendations for the City's *wholesale* customers. The City currently provides wholesale service to Bella Vista Property Owner's Association (Bella Vista), the City of Cave Springs (Cave Springs), Oak Hills SID (Oak Hills), and Old Bella Vista Property Owner's Association (Old Bella Vista). Bella Vista and Cave Springs represent approximately 10% of the City's water revenue. Revenue from Oak Hills and Old Bella Vista is less than 0.11% of total water revenue.

The rate recommendations for the City's wholesale customers are based on a cost of service study. A cost of service study determines the average embedded cost to serve each wholesale customer based on the design, cost and operation of the water system and the usage characteristics of each customer.

The City has employed the same rate structure for its wholesale customers for many years based on a contractual approach to rate setting outlined in the current contract with Bella Vista. The City is currently negotiating a new contract with Bella Vista. The City also recently completed a water system master plan update, which identified the infrastructure improvements needed to serve the City as it continues to grow. The master plan also included detailed information regarding the operation of the City's current infrastructure and how it is used to serve retail and wholesale customers. A key component of the new contract with Bella Vista and the rate proposal involves limitations on their capacity such that they can be served with the City's existing infrastructure.

Based on the negotiation of a new contract for Bella Vista, as well as new information regarding the operation of the water system, Raftelis is recommending a new wholesale rate structure, which is reflective of how the water system operates and how the City incurs costs to serve each customer. The new structure would include a bulk water rate which is a direct pass-through of the volume rate that the City pays Beaver Water District to purchase the water, plus a 3% mark-up. The remaining costs to deliver the purchased water, which are completely fixed, would be recovered via a fixed monthly base charge.

This approach would decrease the volume charge for the wholesale customers but would increase the fixed charge. Currently, only the charges to Bella Vista would be adjusted, but a similar structure could be applied to the remaining customers. The new structure is estimated to increase revenues from Bella Vista by 10% in 2026. Going forward, the bulk water rate would be adjusted whenever Beaver Water District adjusts its rate, plus a 3% mark-up. The base charge would be reviewed at least every 5 years based on a cost of service study, but could be examined sooner, if circumstances change. In between cost of service studies, the base charge will increase based on the water and sewerage maintenance expenditure category of the Consumer Price Index for All Urban Consumers (CPI-U), as published by the United States Bureau of Labor Statistics.

Table 1 below indicates the recommended wholesale rates. The balance of this memorandum overviews the key assumptions and projections which support our recommendations for wholesale water rates.

Table 1: Wholesale Water Rate Calculations

Description	Bella Vista	Cave Springs	Oakhills	Old Bella Vista
Bulk Water Charge - \$/1,000				
BWD Rate	1.82	1.82	1.82	1.82
3% Mark-Up	0.05	0.05	0.05	0.05
Total Bulk Water Charge - \$/1,000	1.87	1.87	1.87	1.87
Base Charge - Annual Cost				
Shared - Supply Line	\$ 216,430	\$ 239,286	\$ 5,562	\$ 614
Shared - Transmission	115,714	58,243	1,368	150
Shared - Tiger Tank	78,757	-	2,039	226
Shared - I Street GSTs	125,030	-	1,469	161
Shared - Hwy 102	3,024	1,522	36	4
Shared - Downtown Tank	72,730	-	854	94
Bills	24	24	24	24
Total Base Charge Annual Cost	\$ 611,709	\$ 299,075	\$ 11,353	\$ 1,273
Base Charge - \$/Mo				
Shared - Supply Line	\$ 18,036	\$ 19,941	\$ 464	\$ 51
Shared - Transmission	9,643	4,854	114	12
Shared - Tiger Tank	6,563	-	170	19
Shared - I Street GSTs	10,419	-	122	13
Shared - Hwy 102	252	127	3	0
Shared - Downtown Tank	6,061	-	71	8
Bills	2	2	2	2
Total Base Charge \$/Mo	\$ 50,976	\$ 24,923	\$ 946	\$ 106

Wholesale Cost of Service Study Process

A cost of service study determines the average embedded cost to serve each wholesale customer based on the design, cost and operation of the water system and the usage characteristics of each customer. The cost of providing water service is a function of the demands of the customers served. A cost of service study aligns responsibility for these costs with customer classes which cause (by their demands) them to be incurred, referred to as the principle of cost causation. The principle of using cost causation as a guide for water rate setting is well established throughout the industry and is the basis for the methodology described in the American Water Works Association's (AWWA) Manual M1: Principles of Water Rates, Fees and Charges 7th edition.

A cost of service study involves the following steps:

1. Summarize Test Year Revenue Requirement
2. Allocate Test-Year Revenue Requirement to Cost Drivers
3. Distribute Revenue Requirement to Customer Classes

Step 1: Summarize Test-Year Revenue Requirement

Cost of service is typically determined for a single test year. The test year establishes the total level of revenue which must be recovered from all customers, regardless of how that revenue is distributed. The cost of service analysis then apportions that revenue recovery to each customer class, based on that class's use of the City's water system. The revenue requirement is summarized on both a cash and utility basis.

Both approaches recover operating costs in the same fashion but differ in terms of capital cost recovery. The cash basis recovers cash capital costs which include debt service, cash funded capital expenditures (i.e. PAYGO), addition to/use of reserves and any adjustments related to the timing of when increases are implemented. The utility basis recovers capital costs via depreciation and return on rate base. The utility basis approach to rate setting allows the City to earn a rate of return on assets used to provide service to wholesale customers, which—in turn—results in lower capital costs to retail customers. The utility basis is also advantageous to wholesale customers because capital cost recovery happens over time as assets are constructed. Accordingly, wholesale customer rates only reflect assets once they are actually "used and useful" by these customers, removing the impact of capital financing decisions made by the wholesale provider and resulting in a smoother allocation of capital costs over time.

2026 *cash basis* expenses were projected using the same approach Raftelis employed to determine the retail water rate adjustments earlier this year. Operating expenses were projected based on the City's 2025 budget, plus assumed inflation to 2026. Capital expenses were based on a capital financing plan and resultant incremental capital costs (i.e. additional debt service for

new projects). 2026 *utility basis*¹ expenses include depreciation and return on the City’s investment in capital assets.

Table 2: FY 2026 Revenue Requirement Projections

Component	Operating	Capital	Total
Cash Basis			
O&M			
Purchased Water	\$ 12,742,080		\$ 12,742,080
Personnel	3,716,242		3,716,242
Supplies & Tech	603,749		603,749
Prof/Prop Svc	243,021		243,021
Maintenance & Equip.	468,430		468,430
Other	94,126		94,126
IDIQ	6,000,000		6,000,000
Support Services - Utility Billing	540,819		540,819
Franchise Fee	1,573,281		1,573,281
Support Services - Admin	89,793		89,793
Total O&M	\$ 26,071,541	\$ -	\$ 26,071,541
Other Revenue	\$ (503,533)		(503,533)
Net O&M	\$ 25,568,008	\$ -	\$ 25,568,008
Capital			
Capital - Debt Service		\$ 1,288,117	\$ 1,288,117
Capital - Rate Funded		4,052,047	4,052,047
Addition to/(Use of) Reserves		557,440	557,440
Other Revenue		-	-
Net Capital	\$ -	\$ 5,897,605	\$ 5,897,605
Cash Basis RR	\$ 25,568,008	\$ 5,897,605	\$ 31,465,613
Utility Basis			
Net O&M	\$ 25,568,008	\$ -	\$ 25,568,008
Depreciation		1,528,189	1,528,189
Return		4,369,415	4,369,415
Utility Basis RR	\$ 25,568,008	\$ 5,897,605	\$ 31,465,613

¹ Note that either approach will recover the overall cash basis revenue requirement (about \$31.5 million). The basis only impacts the manner in which those costs are recovered with the wholesale return reducing capital cost recovery from retail customers.

Step 2: Allocate Test-Year Revenue Requirement

A cost of service study is founded on the relationship between the design, operation and cost of the water system in total (the revenue requirement) and the demands of its customers. Since a water system is constructed and operated to meet the demands of customer classes, a cost of service study assigns responsibility for funding that system (the revenue requirement) based on the demands of customers.

In order to assign the revenue requirement to customer classes, it must first be allocated to cost drivers, or the components of customer demand which contribute to the total cost of service. This understanding of the revenue requirement by cost driver can then be used as the basis for distributing the cost of each driver to customer classes, based on the relative demands of each class. Step 2 involves assigning costs first to functions, then to cost drivers.

Functional Cost Assignment

Functions represent the activities or infrastructure of the water system used to deliver service to customers. Shared functions are those performed to serve all customers (retail and wholesale). Retail only functions relate to retail service only, and the cost of these functions is excluded from the wholesale rates. Table 3 indicates the functions used in this cost of service study.

Table 3: Water System Functions

Function	Retail	Bella Vista	Cave Springs	Oakhills	Old Bella Vista
Shared - Water Supply	✓	✓	✓	✓	✓
Shared - Supply Line	✓	O&M Only	✓	✓	✓
Shared - Transmission	✓	✓	✓	✓	✓
Shared - Tiger Tank	✓	O&M Only	✓	✓	✓
Shared - I Street GSTs	✓	✓	---	✓	✓
Shared - Hwy 102	✓	✓	✓	✓	✓
Shared - Downtown Tank	✓	✓	---	✓	✓
Shared - Bills	✓	✓	✓	✓	✓
Retail Only - Distribution	✓	---	---	---	---
Retail Only - Meters	✓	---	---	---	---
Retail Only - Services	✓	---	---	---	---

Shared – Water Supply represents the cost of purchased water from Beaver Water District (BWD).

Shared – Supply Line represents the costs associated with the existing 48” supply line from BWD. These costs are shared by all customers, but the rate for Bella Vista includes operating costs only, due to Bella Vista’s participation in the capital costs of the supply line.

Shared – Transmission represents the costs associated with existing transmission mains 16” and larger.

The remaining shared categories (Tiger Tank, I Street GSTs, Hwy 102, Downtown) are related to the City’s storage tanks. Raftelis worked with staff to identify the tanks in which each wholesale customer should share based on the City’s updated water master plan. Bella Vista shares in the cost of all storage tanks, with the exception of the tiger tank, which is limited to O&M only, due to

Bella Vista's initial cost participation. Oak Hills and Old Bella Vista share in the cost of all storage tanks. Cave Springs does not share in the cost of the I Street and Downtown tanks.

In addition to these infrastructure categories, billing costs are also shared, though these represent a de minimis portion of wholesale cost of service.

Operating Cost Functional Assignment

Raftelis functionalized the operating costs identified in Table 2 to the functional categories indicated in Table 3. Once functionalized, these costs are assigned to cost drivers, which represent the components of customer demand which drive the cost of each function. The functional assignment of operating costs was performed using direct and indirect assignment. Direct assignments are as follows:

- Purchased water was directly assigned to Shared – Water Supply. These costs will be recovered directly through a pass-through of the Beaver Water Rate, plus a 3% mark-up.
- Costs associated with the City's replacement of customer service lines (IDIQ) were assigned directly to Retail Only – Services.
- Support services costs related to customer billing were assigned directly to Shared – Bills.

For operating costs associated with multiple functions, indirect assignments were employed:

- Personnel, Supplies, Professional Services, Maintenance and Other were assigned to functions based on the original cost of the City's plant in service. Since these costs are related to operating and maintaining the City's infrastructure, a proportional assignment based on the investment in that infrastructure is reasonable.
- The City's franchise fee and the administrative portion of support services was allocated to functions based on the functional assignment of the above operating costs excluding purchased water and IDIQ.
- The City's miscellaneous revenue, which represents an offset to operating costs, was assigned to Retail Only – Distribution, Retail Only – Meters and Shared – Bills.

Table 4 indicates the O&M Functional Cost Assignment.

Table 4: O&M Functional Cost Assignment

Description	Total	Shared - Water Supply	Shared - Supply Line	Shared - Transmission	Shared - Tiger Tank	Shared - I Street GSTs	Shared - Hwy 102	Shared - Downtown Tank	Retail Only - Distribution	Retail Only - Meters	Retail Only - Services	Shared - Bills
Allocation %												
Purchased Water	100%	100%										
Personnel	100%		18%	7%	6%	5%	1%	3%	60%	0%		
Supplies & Tech	100%		18%	7%	6%	5%	1%	3%	60%	0%		
Prof/Prop Svc	100%		18%	7%	6%	5%	1%	3%	60%	0%		
Maintenance & Equip.	100%		18%	7%	6%	5%	1%	3%	60%	0%		
Other	100%		18%	7%	6%	5%	1%	3%	60%	0%		
IDIQ	100%										100%	
Support Services - Utility Billing												100%
Allocation \$												
Purchased Water	\$ 12,742,080	\$ 12,742,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Personnel	3,716,242	-	673,565	260,167	221,807	183,811	27,521	95,256	2,245,547	8,569	-	-
Supplies & Tech	603,749	-	109,429	42,267	36,035	29,862	4,471	15,475	364,817	1,392	-	-
Prof/Prop Svc	243,021	-	44,047	17,013	14,505	12,020	1,800	6,229	146,846	560	-	-
Maintenance & Equip.	468,430	-	84,902	32,794	27,959	23,169	3,469	12,007	283,050	1,080	-	-
Other	94,126	-	17,060	6,590	5,618	4,656	697	2,413	56,876	217	-	-
IDIQ	6,000,000	-	-	-	-	-	-	-	-	-	6,000,000	-
Support Services - Utility Billing	540,819	-	-	-	-	-	-	-	-	-	-	540,819
Subtotal	\$ 24,408,468	\$ 12,742,080	\$ 929,004	\$ 358,831	\$ 305,924	\$ 253,519	\$ 37,957	\$ 131,380	\$ 3,097,135	\$ 11,818	\$ 6,000,000	\$ 540,819
Excluding PW, IDIQ - \$	\$ 5,666,388		\$ 929,004	\$ 358,831	\$ 305,924	\$ 253,519	\$ 37,957	\$ 131,380	\$ 3,097,135	\$ 11,818		\$ 540,819
Excluding PW, IDIQ - %	100%		16%	6%	5%	4%	1%	2%	55%	0%		10%
Franchise Fee	1,573,281	\$ -	\$ 257,939	\$ 99,630	\$ 84,940	\$ 70,390	\$ 10,539	\$ 36,478	\$ 859,924	\$ 3,281	\$ -	\$ 150,159
Support Services - Admin	89,793	\$ -	\$ 14,722	\$ 5,686	\$ 4,848	\$ 4,017	\$ 601	\$ 2,082	\$ 49,079	\$ 187	\$ -	\$ 8,570
Subtotal	1,663,073	-	272,661	105,316	89,788	74,407	11,140	38,560	909,003	3,469	-	158,729
Total O&M - \$	26,071,541	12,742,080	1,201,665	464,147	395,712	327,926	49,098	169,940	4,006,138	15,287	6,000,000	699,548
Misc Revenue	(503,533)								(188,157)	(718)	(281,803)	(32,856)
Total O&M - \$	25,568,008	12,742,080	1,201,665	464,147	395,712	327,926	49,098	169,940	3,817,981	14,569	5,718,197	666,692
Total O&M - %	100%	50%	5%	2%	2%	1%	0%	1%	15%	0%	22%	3%
Total O&M w/o Purchased Water			9%	4%	3%	3%	0%	1%	30%	0%	45%	5%

Depreciation and Rate Base Functional Assignment

As described above, the City’s wholesale rates are set on a utility basis, which recovers depreciation and return on rate base related to its investment in assets used to serve wholesale customers. Raftelis functionalized existing assets from the City’s fixed asset record and incorporated new assets anticipated to be placed into service in 2026.

Based on discussions with staff, the City has the capacity and related infrastructure to serve its current wholesale customers. Further, the City’s proposed contract with Bella Vista places limits on its peak demands. Based on these limits and anticipated future demands of the remaining customers (Cave Springs, Oak Hills and Old Bella Vista), no new infrastructure is anticipated to be required to serve wholesale customers. Accordingly, for the purpose of establishing the recommended wholesale rates, only the City’s existing infrastructure is included. That said, should repair or replacement of existing assets be required, or should the City be required to construct additional infrastructure to serve wholesale customers, those costs should be included in their rates at that time.

Table 5 indicates depreciation and rate base by function. The recommended wholesale rates include a proportionate (based on demand) share of depreciation and a return (rate base x rate of return) on a proportionate (based on demand) share of rate base.

Table 5: Depreciation and Rate Base Functional Assignment

Description	Depreciation	Rate Base
Shared - Supply Line	\$ 315,687	\$ 9,573,009
Shared - Transmission	50,576	1,393,424
Shared - Tiger Tank	129,946	2,710,734
Shared - I Street GSTs	95,415	2,237,202
Shared - Hwy 102	8,432	303,273
Shared - Downtown Tank	65,230	1,409,361
Retail Only - Distribution	494,769	13,453,767
Retail Only - Meters	-	0
Retail Only - Services	-	-
Shared Bills	-	-
General Plant	368,134	5,172,905
Land	-	3,400,297
Working Capital		2,442,396
Total	\$ 1,528,189	\$ 42,096,368

Cost Driver Assignment

Cost drivers represent the demands customers place on the water system. The City’s water system was designed to distribute water during periods of average customer demand and peak demand. If no peak demand existed, a smaller, less costly system could be built to serve customers. Given that additional costs (above those incurred to serve average demand) are incurred to serve peak demand, the question becomes who should pay those incremental costs. The base-extra capacity methodology (as outlined in AWWA’s Manual M1) is the most common

method for assigning such costs for water utilities. The base-extra capacity method allocates peak demand costs based on the incremental demand above average day. Thus, customers whose demand drives the need for the larger system are allocated a greater share of costs.

For the purpose of wholesale rate setting, the relevant demand drivers are average day demand, maximum day extra capacity demand and bills. Average day demand, or base demand, represents each class's annual usage divided by 365. Maximum day extra capacity demand represents the incremental demand for maximum day above and beyond average day demand.

With the exception of bills, each functionalized cost is assigned 50% to average day and 50% to maximum day based on a system design peak of 2x times average day. In other words, for shared costs 50% is related to meeting customer average day demands and 50% is related to meeting maximum day extra capacity demands (i.e., above and beyond average day). In Step 3, average day and maximum day extra capacity are determined for each wholesale customer and are used as the basis for allocating these costs. Billing related costs are allocated on the basis of the number of bills for each wholesale customer, relative to the total number of bills issued by the City.

Table 6 indicates the allocation of operating costs to cost drivers. Operating costs total approximately \$25.7 million for the 2026 test year. Of that, approximately \$12.7 million are related to purchased water and will be recovered from wholesale customers based on a direct pass-through of the BWD rate, plus a 3% mark-up. The remaining costs include shared costs (\$3.4 million) and retail only costs (\$9.6 million).

Table 7 indicates the allocation of depreciation to cost drivers. This includes the functionalized depreciation as well as an indirect allocation of general plant depreciation to the functional categories. Of the total (\$1.5 million), approximately \$0.9 million is shared and \$0.7 million is retail only.

Table 8 indicates the allocation of rate base to cost drivers. This includes the functionalized depreciation as well as an indirect allocation of land, general plant and working capital rate base to the functional categories. Of the total (\$42.1 million), approximately \$22.8 million is shared and \$19.3 million is retail only. Wholesale customer rates include a proportionate share of rate base (based on base and maximum day extra capacity demands) multiplied by a 6% rate of return, which is applied in Step 3.

Table 6: Operating Cost Allocation to Cost Drivers

Description	Total	Shared - Water Supply	Shared - Supply Line	Shared - Transmission	Shared - Tiger Tank	Shared - I Street GSTs	Shared - Hwy 102	Shared - Downtown Tank	Retail Only - Distribution	Retail Only - Meters	Retail Only - Services	Shared - Bills
Functionalized Cost	\$ 25,568,008	\$ 12,742,080	\$ 1,201,665	\$ 464,147	\$ 395,712	\$ 327,926	\$ 49,098	\$ 169,940	\$ 3,817,981	\$ 14,569	\$ 5,718,197	\$ 666,692
	\$ -											
Shared Costs												
Shared - Purchased Water	\$ 12,742,080	\$ 12,742,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - Supply Line												
Base	\$ 600,832		\$ 600,832	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Max Day	600,832		600,832	-		-	-	-	-	-	-	-
Subtotal	\$ 1,201,665	\$ -	\$ 1,201,665	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - Transmission												
Base	\$ 232,074			\$ 232,074								
Max Day	232,074			232,074								
Shared - Transmission	\$ 464,147	\$ -	\$ -	\$ 464,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - Tiger Tank												
Base	\$ 197,856				\$ 197,856							
Max Day	197,856				197,856							
Subtotal	\$ 395,712	\$ -	\$ -	\$ -	\$ 395,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - I Street GSTs												
Base	\$ 163,963					\$ 163,963						
Max Day	163,963					163,963						
Subtotal	\$ 327,926	\$ -	\$ -	\$ -	\$ -	\$ 327,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - Hwy 102												
Base	\$ 4,910						\$ 4,910					
Max Day	4,910						4,910					
Subtotal	\$ 9,820	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,820	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - Downtown Tank												
Base	\$ 84,970							\$ 84,970				
Max Day	84,970							84,970				
Subtotal	\$ 169,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,940	\$ -	\$ -	\$ -	\$ -
Shared - Bills	666,692											666,692
Total Shared Costs	\$ 15,977,983	\$ 12,742,080	\$ 1,201,665	\$ 464,147	\$ 395,712	\$ 327,926	\$ 9,820	\$ 169,940	\$ -	\$ -	\$ -	\$ 666,692
Total Retail Only	\$ 9,590,026	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,278	\$ -	\$ 3,817,981	\$ 14,569	\$ 5,718,197	\$ -
Total O&M	\$ 25,568,008	\$ 12,742,080	\$ 1,201,665	\$ 464,147	\$ 395,712	\$ 327,926	\$ 49,098	\$ 169,940	\$ 3,817,981	\$ 14,569	\$ 5,718,197	\$ 666,692

Table 7: Depreciation Allocation to Cost Drivers

Description	Total	Shared - Water Supply	Shared - Supply Line	Shared - Transmission	Shared - Tiger Tank	Shared - I Street GSTs	Shared - Hwy 102	Shared - Downtown Tank	Retail Only - Distribution	Retail Only - Meters	Retail Only - Services	Shared - Bills
Functionalized Cost	\$ 1,160,055	\$ -	\$ 315,687	\$ 50,576	\$ 129,946	\$ 95,415	\$ 8,432	\$ 65,230	\$ 494,769	\$ -	\$ -	\$ -
Land												
General Plant	\$ 368,134		\$ 100,181	\$ 16,050	\$ 41,237	\$ 30,279	\$ 2,676	\$ 20,700	\$ 157,011	\$ -	\$ -	
Total	\$ 1,528,189	\$ -	\$ 415,868	\$ 66,626	\$ 171,183	\$ 125,694	\$ 11,108	\$ 85,930	\$ 651,779	\$ -	\$ -	\$ -
	\$ -											
Shared Costs												
Shared - Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Shared Supply Line/Tiger Tank												
Base	\$ 207,934		\$ 207,934									
Max Day	207,934		207,934									
Subtotal	\$ 415,868	\$ -	\$ 415,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Shared - Transmission												
Base	\$ 33,313			\$ 33,313								
Max Day	33,313			33,313								
Subtotal	\$ 66,626	\$ -	\$ -	\$ 66,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Shared - Tiger Tank												
Base	\$ 85,592				\$ 85,592							
Max Day	85,592				85,592							
Subtotal	\$ 171,183	\$ -	\$ -	\$ -	\$ 171,183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - I Street GSTs												
Base	\$ 62,847					\$ 62,847						
Max Day	62,847					62,847						
Subtotal	\$ 125,694	\$ -	\$ -	\$ -	\$ -	\$ 125,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - Hwy 102												
Base	\$ 1,111						\$ 1,111					
Max Day	1,111						1,111					
Subtotal	\$ 2,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,222	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - Downtown Tank												
Base	\$ 42,965							\$ 42,965				
Max Day	42,965							42,965				
Subtotal	\$ 85,930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,930	\$ -	\$ -	\$ -	\$ -
Shared - Bills	\$ -										\$ -	\$ -
Total Shared Costs	\$ 867,523	\$ -	\$ 415,868	\$ 66,626	\$ 171,183	\$ 125,694	\$ 2,222	\$ 85,930	\$ -	\$ -	\$ -	\$ -
Total Retail Only	660,666	-	-	-	-	-	8,887	-	651,779	-	-	-
Total Depreciation	\$ 1,528,189	\$ -	\$ 415,868	\$ 66,626	\$ 171,183	\$ 125,694	\$ 11,108	\$ 85,930	\$ 651,779	\$ -	\$ -	\$ -

Table 8: Rate Base Allocation to Cost Drivers

Description	Total	Shared - Water Supply	Shared - Supply Line	Shared - Transmission	Shared - Tiger Tank	Shared - I Street GSTs	Shared - Hwy 102	Shared - Downtown Tank	Retail Only - Distribution	Retail Only - Meters	Retail Only - Services	Shared - Bills
Functionalized Rate Base	\$ 31,080,770	\$ -	\$ 9,573,009	\$ 1,393,424	\$ 2,710,734	\$ 2,237,202	\$ 303,273	\$ 1,409,361	\$ 13,453,767	\$ 0	\$ -	\$ -
Land	3,400,297	-	1,047,306	152,443	296,560	244,754	33,179	154,187	1,471,869	0	-	-
General Plant	5,172,905	-	1,593,276	231,913	451,159	372,347	50,475	234,566	2,239,168	0	-	-
Working Capital	2,442,396	-	228,829	88,386	75,354	62,446	9,350	32,361	727,045	2,774	1,088,896	126,956
Total	\$ 42,096,368	\$ -	\$ 12,442,420	\$ 1,866,167	\$ 3,533,807	\$ 2,916,750	\$ 396,276	\$ 1,830,475	\$ 17,891,848	\$ 2,774	\$ 1,088,896	\$ 126,956
Shared Rate Base												
Shared - Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared Supply Line/Tiger Tank												
Base	\$ 6,221,210		\$ 6,221,210									
Max Day	6,221,210		6,221,210									
Subtotal	\$ 12,442,420	\$ -	\$ 12,442,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - Transmission												
Base	\$ 933,083			\$ 933,083								
Max Day	933,083			933,083								
Shared - Transmission	\$ 1,866,167	\$ -	\$ -	\$ 1,866,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - Tiger Tank												
Base	\$ 1,766,904				\$ 1,766,904							
Max Day	1,766,904				1,766,904							
Subtotal	\$ 3,533,807	\$ -	\$ -	\$ -	\$ 3,533,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - I Street GSTs												
Base	\$ 1,458,375					\$ 1,458,375						
Max Day	1,458,375					1,458,375						
Subtotal	\$ 2,916,750	\$ -	\$ -	\$ -	\$ -	\$ 2,916,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - Hwy 102												
Base	\$ 39,628						\$ 39,628					
Max Day	39,628						39,628					
Subtotal	\$ 79,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,255	\$ -	\$ -	\$ -	\$ -	\$ -
Shared - Downtown Tank												
Base	\$ 915,237							\$ 915,237				
Max Day	915,237							915,237				
Subtotal	\$ 1,830,475	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,830,475	\$ -	\$ -	\$ -	\$ -
Shared - Bills	\$ 126,956											\$ 126,956
Total Shared Rate Base	\$ 22,795,829	\$ -	\$ 12,442,420	\$ 1,866,167	\$ 3,533,807	\$ 2,916,750	\$ 79,255	\$ 1,830,475	\$ -	\$ -	\$ -	\$ 126,956
Total Retail Only Rate Base	19,300,539	-	-	-	-	-	317,021	-	17,891,848	2,774	1,088,896	-
Total Rate Base	\$ 42,096,368	\$ -	\$ 12,442,420	\$ 1,866,167	\$ 3,533,807	\$ 2,916,750	\$ 396,276	\$ 1,830,475	\$ 17,891,848	\$ 2,774	\$ 1,088,896	\$ 126,956

Step 3: Distribute Revenue Requirement to Customer Classes

Once the revenue requirement is assigned to cost drivers (Step 2), the final step involves distributing the costs to customer classes in proportion to their demands, which involves determining customer class units of service, calculating a unit cost of service for each cost driver, and multiplying customer class units of service by the unit costs to determine class cost of service.

Customer Class Units of Service

Customer class units of service include base or average day demand, maximum day extra capacity demand and bills. Average day demand represents each class's annual usage, divided by 365. Maximum day extra capacity demand for each class represents that class's total maximum day demand, less average day demand, or—put differently—the incremental demand above average day represented by maximum day demand. Total maximum day demand is estimated using demand factors determined as follows:

1. Each class's average demand in the maximum month (Class ADMM) is determined. This is the highest monthly usage in the year, divided by 30 days.
2. Daily purchase data from BWD is used to determine, for the entire water system, the average day in maximum month (System ADMM) and the actual maximum day (System MD).
3. The ratio of MD to ADMM for the entire water system is determined by dividing MD by ADMM from Step 2.
4. The system MD:ADMM ratio is multiplied by each class's ADMM to determine an estimated maximum day demand (Class MD).
5. The estimated class maximum day demand is divided by each class's average day (annual usage/365) to determine an estimated maximum day factor.

Table 9 indicates the determination of each class's maximum day demand factors. Table 10 indicates the units of service by class and cost driver. For cost drivers (e.g., transmission) that all classes share in, all units are included. Those that are only partially shared (e.g., the I Street GSTs) only include the units for the classes that share in those costs.

Table 9: Class Maximum Day Factor Determination

Description	Residential	Commercial	Irrigation	City	Bella Vista	Cave Springs	Oakhills	Old Bella Vista
Jan	82,259	42,135	11,484	5,566	69,425	29,789	407	56
Feb	92,772	40,874	1,119	7,753	74,438	31,987	229	104
Mar	76,088	41,518	11,300	7,947	59,988	27,689	355	64
Apr	79,347	42,496	104,889	8,696	62,754	29,400	393	67
May	85,508	51,067	18,061	10,133	54,576	17,908	424	68
Jun	95,632	50,251	28,059	12,042	68,269	30,238	574	79
Jul	94,552	53,538	72,934	19,650	75,638	32,100	788	90
Aug	96,637	56,502	88,095	30,795	81,210	36,249	862	96
Sep	105,638	62,224	103,918	44,670	83,112	37,883	875	100
Oct	91,553	68,957	81,206	19,225	78,483	31,984	759	72
Nov	95,217	56,310	60,265	21,712	78,773	28,746	764	79
Dec	81,118	43,647	12,705	14,504	64,889	22,775	523	76
Total	1,076,319	609,519	594,034	202,692	851,555	356,748	6,953	950
Annual Average Day	2,949	1,670	1,627	555	2,333	977	19	3
ADMM	3,521	2,299	3,496	1,489	2,770	1,263	29	3
System ADMM	26,627	26,627	26,627	26,627	26,627	26,627	26,627	26,627
System MD	27,484	27,484	27,484	27,484	27,484	27,484	27,484	27,484
System MD:ADMM	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
Class MD	3,635	2,373	3,609	1,537	2,860	1,303	30	4
Class MD Factor	1.23	1.42	2.22	2.77	1.23	1.33	1.58	1.38

Table 10: Units of Service By Customer Class and Cost Driver

Description	Units	Residential	Commercial	Irrigation	City	Bella Vista	Cave Springs	Oakhills	Old Bella Vista	Total
Annual Usage	1,000 gal	1,186,862	677,032	500,461	96,785	898,160	389,578	6,953	950	3,756,781
Base	1,000 gpd	3,252	1,855	1,371	265	2,461	1,067	19	3	10,293
Max Day Factor		1.23	1.42	2.22	2.77	1.23	1.33	1.58	1.38	
Max Day Total	1,000 gpd	4,008	2,635	3,040	734	3,016	1,423	30	4	14,890
Max Day Extra	1,000 gpd	756	780	1,669	469	555	356	11	1	4,598
Bills	Bills	263,004	19,020	59,964	1,488	12	12	12	12	343,524
By Cost Driver										
Shared Supply Line - O&M										
Base	1,000 gpd	1,186,862	677,032	500,461	96,785	898,160	389,578	6,953	950	3,756,781
Max Day	1,000 gpd	756	780	1,669	469	555	356	11	1	4,598
Shared Supply Line - Capital										
Base	1,000 gpd	1,186,862	677,032	500,461	96,785		389,578	6,953	950	2,858,622
Max Day	1,000 gpd	756	780	1,669	469		356	11	1	4,042
Shared - Transmission										
Base	1,000 gpd	1,186,862	677,032	500,461	96,785	898,160	389,578	6,953	950	3,756,781
Max Day	1,000 gpd	756	780	1,669	469	555	356	11	1	4,598
Shared - Tiger Tank - O&M										
Base	1,000 gpd	1,186,862	677,032	500,461	96,785	898,160		6,953	950	3,367,204
Max Day	1,000 gpd	756	780	1,669	469	555		11	1	4,242
Shared - Tiger Tank - Capital										
Base	1,000 gpd	1,186,862	677,032	500,461	96,785			6,953	950	2,469,044
Max Day	1,000 gpd	756	780	1,669	469			11	1	3,686
Shared - I Street GSTs										
Base	1,000 gpd	1,186,862	677,032	500,461	96,785	898,160		6,953	950	3,367,204
Max Day	1,000 gpd	756	780	1,669	469	555		11	1	4,242
Shared - Hwy 102										
Base	1,000 gpd	1,186,862	677,032	500,461	96,785	898,160	389,578	6,953	950	3,756,781
Max Day	1,000 gpd	756	780	1,669	469	555	356	11	1	4,598
Shared - Downtown Tank										
Base	1,000 gpd	1,186,862	677,032	500,461	96,785	898,160		6,953	950	3,367,204
Max Day	1,000 gpd	756	780	1,669	469	555		11	1	4,242
Bills		263,004	19,020	59,964	1,488	12	12	12	12	343,524

Unit Cost of Service

Once customer class units of service are determined, a unit cost for each demand driver can be calculated by dividing the allocated costs by cost driver (from Table 6, Table 7 and Table 8) by the relevant units for each cost driver (from Table 10). The unit cost for shared O&M, depreciation and rate base is shown on Table 11.

Distribution of Costs to Customer Classes

The final step in determining wholesale cost of service involves multiplying each wholesale customer's units by the unit cost of service to determine each wholesale customer's proportionate share of each component.

Table 12 indicates the allocation of shared O&M costs to each wholesale customer, calculated by multiplying the total unit cost of service for each cost driver, by each wholesale customer's units. For example, Bella Vista's cost of service for base costs associated with Shared – Transmission O&M is ~\$55,000, which represents \$0.062 per 1,000 gallons x 898,160 1,000 gallons of base demand.

Table 13 indicates the allocation of shared depreciation to each wholesale customer, calculated by multiplying the total unit cost of service for each cost driver, by each wholesale customer's units. For example, Bella Vista's cost of service for base costs associated with Shared – Transmission depreciation is ~\$8,000, which represents \$0.009 per 1,000 gallons x 898,160 1,000 gallons of base demand.

Table 14 indicates the allocation of shared rate base to each wholesale customer, calculated by multiplying the total unit cost of service for each cost driver, by each wholesale customer's units. To determine return on rate base, each wholesale customer's share of rate base is multiplied by a 6% rate of return. For example, Bella Vista's cost of service for base rate base associated with Shared – Transmission depreciation is ~\$223,000 which represents \$0.248 per 1,000 gallons x 898,160 1,000 gallons of base demand. The return associated with this component is approximately \$13,000 ($\$223,000 \times 0.06$).

Table 15 indicates a summary of all three components: O&M, depreciation and return. Note O&M costs exclude purchased water, which we recommend the City recover via a pass-through charge, plus a 3% mark-up.

Table 11: Unit Cost of Service

Description	Units Description	O&M			Depreciation			Rate Base		
		Cost	Units	Unit Cost	Cost	Units	Unit Cost	Cost	Units	Unit Cost
Shared - Purchased Water		\$ 12,742,080			\$ -			\$ -		
Shared Supply Line										
Base	1,000 gal	\$ 600,832	3,756,781	\$ 0.16	\$ 207,934	2,858,622	\$ 0.07	\$ 6,221,210	2,858,622	\$ 0.07
Max Day	1,000 gpd	600,832	4,598	130.68	207,934	4,042	51.44	6,221,210	4,042	51.44
Subtotal		\$ 1,201,665			\$ 415,868			\$ 12,442,420		
Shared - Transmission										
Base	1,000 gal	\$ 232,074	3,756,781	\$ 0.06	\$ 33,313	3,756,781	\$ 0.01	\$ 933,083	3,756,781	\$ 0.01
Max Day	1,000 gpd	232,074	4,598	50.48	33,313	4,598	7.25	933,083	4,598	7.25
Subtotal		\$ 464,147			\$ 66,626			\$ 1,866,167		
Shared - Tiger Tank										
Base	1,000 gal	\$ 197,856	3,367,204	\$ 0.06	\$ 85,592	2,469,044	\$ 0.03	\$ 1,766,904	2,469,044	\$ 0.03
Max Day	1,000 gpd	197,856	4,242	46.64	85,592	3,686	23.22	1,766,904	3,686	23.22
Subtotal		\$ 395,712			\$ 171,183			\$ 3,533,807		
Shared - I Street GSTs										
Base	1,000 gal	\$ 163,963	3,367,204	\$ 0.05	\$ 62,847	3,367,204	\$ 0.02	\$ 1,458,375	3,367,204	\$ 0.02
Max Day	1,000 gpd	163,963	4,242	38.65	62,847	4,242	14.82	1,458,375	4,242	14.82
Subtotal		\$ 327,926			\$ 125,694			\$ 2,916,750		
Shared - Hwy 102										
Base	1,000 gal	\$ 4,910	3,756,781	\$ 0.00	\$ 1,111	3,756,781	\$ 0.00	\$ 39,628	3,756,781	\$ 0.00
Max Day	1,000 gpd	4,910	4,598	1.07	1,111	4,598	0.24	39,628	4,598	0.24
Subtotal		\$ 9,820			\$ 2,222			\$ 79,255		
Shared - Downtown Tank										
Base	1,000 gal	\$ 84,970	3,367,204	\$ 0.03	\$ 42,965	3,367,204	\$ 0.01	\$ 915,237	3,367,204	\$ 0.01
Max Day	1,000 gpd	84,970	4,242	20.03	42,965	4,242	10.13	915,237	4,242	10.13
Subtotal		\$ 169,940			\$ 85,930			\$ 1,830,475		
Shared - Bills	Bills	\$ 666,692	343,524	\$ 1.94	\$ -	343,524	\$ -	\$ 126,956	343,524	\$ -
Total Shared Costs		\$ 15,977,983			\$ 867,523			\$ 22,795,829		

Table 12: Distribution of O&M Costs to Wholesale Customers

Description	Total	Shared - Supply Line		Shared - Transmission		Shared - Tiger Tank		Shared - I Street GSTs		Shared - Hwy 102		Shared - Downtown Tank		Bills
		Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	
Unit Cost		\$ 0.160	\$ 130.679	\$ 0.062	\$ 50.475	\$ 0.059	\$ 46.644	\$ 0.049	\$ 38.654	\$ 0.001	\$ 1.068	\$ 0.025	\$ 20.032	\$ 1.941
		per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per Bill
Units		1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	Bills
Bella Vista		898,160	555	898,160	555	898,160	555	898,160	555	898,160	555	898,160	555	12
Cave Springs		389,578	356	389,578	356	-	-	-	-	389,578	356	-	-	12
Oakhills		6,953	11	6,953	11	6,953	11	6,953	11	6,953	11	6,953	11	12
Old Bella Vista		950	1	950	1	950	1	950	1	950	1	950	1	12
Total Units		1,295,640	923	1,295,640	923	906,063	567	906,063	567	1,295,640	923	906,063	567	48
Cost of Service														
Bella Vista	\$ 479,181	\$ 143,645	\$ 72,567	\$ 55,483	\$ 28,029	\$ 52,776	\$ 25,902	\$ 43,735	\$ 21,465	\$ 1,174	\$ 593	\$ 22,665	\$ 11,124	\$ 23
Cave Springs	151,775	62,306	46,521	24,066	17,969	-	-	-	-	509	380	-	-	23
Oakhills	5,676	1,112	1,445	430	558	409	516	339	427	9	12	175	222	23
Old Bella Vista	643	152	128	59	49	56	46	46	38	1	1	24	20	23
Total Cost	\$ 637,275	\$ 207,215	\$ 120,661	\$ 80,038	\$ 46,606	\$ 53,240	\$ 26,463	\$ 44,120	\$ 21,930	\$ 1,693	\$ 986	\$ 22,864	\$ 11,365	\$ 93

Table 13: Distribution of Depreciation to Wholesale Customers

Description	Total	Shared - Supply Line		Shared - Transmission		Shared - Tiger Tank		Shared - I Street GSTs		Shared - Hwy 102		Shared - Downtown Tank		Bills
		Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	
Unit Cost		\$ 0.073	\$ 51.437	\$ 0.009	\$ 7.245	\$ 0.035	\$ 23.218	\$ 0.019	\$ 14.816	\$ 0.000	\$ 0.242	\$ 0.013	\$ 10.129	\$ -
		per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per Bill
Units		1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	Bills
Bella Vista		-	-	898,160	555	-	-	898,160	555	898,160	555	898,160	555	12
Cave Springs		389,578	356	389,578	356	-	-	-	-	389,578	356	-	-	12
Oakhills		6,953	11	6,953	11	6,953	11	6,953	11	6,953	11	6,953	11	12
Old Bella Vista		950	1	950	1	950	1	950	1	950	1	950	1	12
Total Units		397,481	368	1,295,640	923	7,903	12	906,063	567	1,295,640	923	906,063	567	48
Cost of Service														
Bella Vista	\$ 54,464	\$ -	\$ -	\$ 7,964	\$ 4,023	\$ -	\$ -	\$ 16,764	\$ 8,227	\$ 266	\$ 134	\$ 11,460	\$ 5,625	\$ -
Cave Springs	52,884	28,338	18,311	3,455	2,579	-	-	-	-	115	86	-	-	-
Oakhills	2,213	506	569	62	80	241	257	130	164	2	3	89	112	-
Old Bella Vista	245	69	50	8	7	33	23	18	15	0	0	12	10	-
Total Cost	\$ 109,806	\$ 28,912	\$ 18,931	\$ 11,489	\$ 6,690	\$ 274	\$ 279	\$ 16,911	\$ 8,406	\$ 383	\$ 223	\$ 11,561	\$ 5,747	\$ -

Table 14: Distribution of Rate Base and Return on Rate Base to Wholesale Customers

Description	Total	Shared - Supply Line		Shared - Transmission		Shared - Tiger Tank		Shared - I Street GSTs		Shared - Hwy 102		Shared - Downtown Tank		Bills
		Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	
Unit Cost		\$ 2.176	\$ 1,538.958	\$ 0.248	\$ 202.942	\$ 0.716	\$ 479.292	\$ 0.433	\$ 343.811	\$ 0.011	\$ 8.619	\$ 0.272	\$ 215.767	\$ 0.370
		per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per 1,000 gal	per 1,000 gpd	per Bill
Units		1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	1,000 gal	1,000 gpd	Bills
Bella Vista		-	-	898,160	555	-	-	898,160	555	898,160	555	898,160	555	12
Cave Springs		389,578	356	389,578	356	-	-	-	-	389,578	356	-	-	12
Oakhills		6,953	11	6,953	11	6,953	11	6,953	11	6,953	11	6,953	11	12
Old Bella Vista		950	1	950	1	950	1	950	1	950	1	950	1	12
Total Units		397,481	368	1,295,640	923	7,903	12	906,063	567	1,295,640	923	906,063	567	48
Rate Base Value														
Bella Vista	\$ 1,293,907	\$ -	\$ -	\$ 223,079	\$ 112,695	\$ -	\$ -	\$ 389,003	\$ 190,921	\$ 9,474	\$ 4,786	\$ 244,128	\$ 119,817	\$ 4
Cave Springs	1,571,889	847,837	547,863	96,761	72,246	-	-	-	-	4,109	3,068	-	-	4
Oakhills	57,658	15,132	17,017	1,727	2,244	4,976	5,300	3,011	3,802	73	95	1,890	2,386	4
Old Bella Vista	6,399	2,067	1,507	236	199	680	469	411	337	10	8	258	211	4
Total Value	\$ 2,929,854	\$ 865,036	\$ 566,388	\$ 321,802	\$ 187,384	\$ 5,656	\$ 5,769	\$ 392,426	\$ 195,059	\$ 13,667	\$ 7,958	\$ 246,276	\$ 122,414	\$ 18
Multiplied by Rate of Return		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Return on Rate Base														
Bella Vista	\$ 77,634	\$ -	\$ -	\$ 13,385	\$ 6,762	\$ -	\$ -	\$ 23,340	\$ 11,455	\$ 568	\$ 287	\$ 14,648	\$ 7,189	\$ 0
Cave Springs	94,313	50,870	32,872	5,806	4,335	-	-	-	-	247	184	-	-	0
Oakhills	3,459	908	1,021	104	135	299	318	181	228	4	6	113	143	0
Old Bella Vista	384	124	90	14	12	41	28	25	20	1	1	15	13	0
Total Return	\$ 175,791	\$ 51,902	\$ 33,983	\$ 19,308	\$ 11,243	\$ 339	\$ 346	\$ 23,546	\$ 11,704	\$ 820	\$ 477	\$ 14,777	\$ 7,345	\$ 1

Table 15: Summary of Wholesale Cost of Service

Description	Total	Shared - Supply Line		Shared - Transmission		Shared - Tiger Tank		Shared - I Street GSTs		Shared - Hwy 102		Shared - Downtown Tank		Bills
		Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	Base	Max Day	
Cost of Service - O&M														
Bella Vista	\$ 479,181	\$ 143,645	\$ 72,567	\$ 55,483	\$ 28,029	\$ 52,776	\$ 25,902	\$ 43,735	\$ 21,465	\$ 1,174	\$ 593	\$ 22,665	\$ 11,124	\$ 23
Cave Springs	151,775	62,306	46,521	24,066	17,969	-	-	-	-	509	380	-	-	23
Oakhills	5,676	1,112	1,445	430	558	409	516	339	427	9	12	175	222	23
Old Bella Vista	643	152	128	59	49	56	46	46	38	1	1	24	20	23
Total Cost	\$ 637,275	\$ 207,215	\$ 120,661	\$ 80,038	\$ 46,606	\$ 53,240	\$ 26,463	\$ 44,120	\$ 21,930	\$ 1,693	\$ 986	\$ 22,864	\$ 11,365	\$ 93
Cost of Service - Depreciation														
Bella Vista	\$ 54,464	\$ -	\$ -	\$ 7,964	\$ 4,023	\$ -	\$ -	\$ 16,764	\$ 8,227	\$ 266	\$ 134	\$ 11,460	\$ 5,625	\$ -
Cave Springs	52,884	28,338	18,311	3,455	2,579	-	-	-	-	115	86	-	-	-
Oakhills	2,213	506	569	62	80	241	257	130	164	2	3	89	112	-
Old Bella Vista	245	69	50	8	7	33	23	18	15	0	0	12	10	-
Total Cost	\$ 109,806	\$ 28,912	\$ 18,931	\$ 11,489	\$ 6,690	\$ 274	\$ 279	\$ 16,911	\$ 8,406	\$ 383	\$ 223	\$ 11,561	\$ 5,747	\$ -
Cost of Service - Return														
Bella Vista	\$ 77,634	\$ -	\$ -	\$ 13,385	\$ 6,762	\$ -	\$ -	\$ 23,340	\$ 11,455	\$ 568	\$ 287	\$ 14,648	\$ 7,189	\$ 0
Cave Springs	94,313	50,870	32,872	5,806	4,335	-	-	-	-	247	184	-	-	0
Oakhills	3,459	908	1,021	104	135	299	318	181	228	4	6	113	143	0
Old Bella Vista	384	124	90	14	12	41	28	25	20	1	1	15	13	0
Total Cost	\$ 175,791	\$ 51,902	\$ 33,983	\$ 19,308	\$ 11,243	\$ 339	\$ 346	\$ 23,546	\$ 11,704	\$ 820	\$ 477	\$ 14,777	\$ 7,345	\$ 1
Total - O&M, Depreciation, Return														
Bella Vista	\$ 611,279	\$ 143,645	\$ 72,567	\$ 76,833	\$ 38,814	\$ 52,776	\$ 25,902	\$ 83,839	\$ 41,148	\$ 2,008	\$ 1,014	\$ 48,773	\$ 23,937	\$ 24
Cave Springs	298,972	141,514	97,704	33,326	24,883	-	-	-	-	871	650	-	-	24
Oakhills	11,349	2,526	3,035	595	773	948	1,091	649	819	16	20	378	477	24
Old Bella Vista	1,272	345	269	81	68	130	97	89	73	2	2	52	42	24
Total Cost	\$ 922,872	\$ 288,030	\$ 173,575	\$ 110,835	\$ 64,539	\$ 53,853	\$ 27,089	\$ 84,577	\$ 42,040	\$ 2,896	\$ 1,687	\$ 49,202	\$ 24,456	\$ 94

Wholesale Rate Recommendations

Table 16 indicates the wholesale rate recommendations. Historically the City’s wholesale contracts have included a volume rate which recovers the City’s cost to purchase water for wholesale customers and a portion of the City’s fixed cost to deliver the water to each customer. The structure below separates the pass-through of purchased water costs from the City’s fixed delivery cost. The bulk water charge is the current (as of October 1, 2025) Beaver Water Rate, plus a 3% mark-up. The base charge includes the City’s delivery costs, which are entirely fixed. The base charge costs are those determined by the cost of service study above.

Table 16: Wholesale Water Rate Calculations

Description	Bella Vista	Cave Springs	Oakhills	Old Bella Vista
Bulk Water Charge - \$/1,000				
BWD Rate	1.82	1.82	1.82	1.82
3% Mark-Up	0.05	0.05	0.05	0.05
Total Bulk Water Charge - \$/1,000	1.87	1.87	1.87	1.87
Base Charge - Annual Cost				
Shared - Supply Line	\$ 216,212	\$ 239,218	\$ 5,560	\$ 614
Shared - Transmission	115,647	58,209	1,368	150
Shared - Tiger Tank	78,678	-	2,039	226
Shared - I Street GSTs	124,987	-	1,468	161
Shared - Hwy 102	3,022	1,521	36	4
Shared - Downtown Tank	72,710	-	854	94
Bills	24	24	24	24
Total Base Charge Annual Cost	\$ 611,279	\$ 298,972	\$ 11,349	\$ 1,272
Base Charge - \$/Mo				
Shared - Supply Line	\$ 18,018	\$ 19,935	\$ 463	\$ 51
Shared - Transmission	9,637	4,851	114	12
Shared - Tiger Tank	6,556	-	170	19
Shared - I Street GSTs	10,416	-	122	13
Shared - Hwy 102	252	127	3	0
Shared - Downtown Tank	6,059	-	71	8
Bills	2	2	2	2
Total Base Charge \$/Mo	\$ 50,940	\$ 24,914	\$ 946	\$ 106

AGREEMENT

This AGREEMENT made and entered into this ___ day of _____, 20__ by and between the City of Bentonville, Arkansas, an Arkansas municipal corporation, hereinafter called the "CITY" and Bella Vista Village Property Owners Association, Benton County, Arkansas, a non-profit corporation, hereinafter called the "VILLAGE";

WITNESSETH THAT:

WHEREAS, the Village is owner of a water system providing retail water supply to a planned residential community known as Bella Vista Village, Arkansas; and

WHEREAS, water is being supplied to the VILLAGE by the CITY through three metering stations; one being located at Cold Cave Drive Pumping Station, one at Bridgewater pumping station, and one at 3471 South Lake Drive; and

WHEREAS, the Village, to provide for its present and future potable water needs, desires to continue the purchase of treated water from the CITY; and

WHEREAS, the CITY has facilities and is able to supply the VILLAGE water as outlined in this agreement and continues to be committed to said service; and

WHEREAS, the CITY purchases treated water from the Beaver Water District; and

WHEREAS, the VILLAGE is willing to make a commitment to purchase a portion of the CITY'S total water purchased from Beaver Water District to provide the VILLAGE'S water supply needs hereinafter outlined in this agreement for the term of this agreement; and

WHEREAS, the VILLAGE desires to be assured that the CITY continues to have the facilities necessary to provide the VILLAGE with adequate water service and a supply of potable water; and

WHEREAS, Arkansas State law specifically authorizes cities to provide water service outside their corporate limits where the demand for such service is sufficient to produce revenues that will cover the cost of such service.

NOW THEREFORE, in consideration of the mutual covenants hereinafter expressed, it is agreed as follows:

1. That the CITY will deliver to the VILLAGE potable treated water, meeting standards set forth by Federal and State agencies having authority to establish water quality standards that uniformly apply to the Beaver Water District and to the CITY and its customers and as those standards may be amended from time to time.

That both parties understand and agree that the VILLAGE shall pay the volume of water registered on the master metering equipment provided by the CITY for that purpose.

The CITY will furnish said water at 3471 South Lake Drive, Cold Cave Drive delivery point at a normal minimum pressure of 100 pounds per square inch gauge (psig) and Bridgewater delivery point at a normal and minimum pressure of 50 psig.

The CITY shall provide available capacity to the VILLAGE of up to 2.3 million gallons per day (MGD) at the Cold Cave metering station and up to 3.7 MGD at the Bridgewater metering station, except during an emergency condition whereby the maximum rate could be exceeded with mutual consent of the CITY and the VILLAGE.

2. That the VILLAGE will pay the CITY for wholesale treated water purchased in two (2) parts;

(a) The VILLAGE will pay a BASE CHARGE for Operation, Maintenance, Repair, Rehabilitation and Replacement of the CITY infrastructure servicing the VILLAGE, and other reasonable and associated water utility operational costs (such as billing, etc.) incurred by the CITY. The BASE CHARGE shall be determined at the time a rate analysis is performed as outlined in Section 4 below and adjusted according to the rate study findings. The initial BASE CHARGE shall be \$50,923.00 due monthly commencing on January 1, 2026, and extended for a minimum of one (1) year. Except as modified by Section 4b, said BASE CHARGE shall remain in effect until the next rate analysis is performed as outlined in section 4 below.

(b) The VILLAGE will pay to the CITY a BULK WATER CHARGE, which will recover the cost of water purchased by the CITY from Beaver Water District (BWD) for delivery to the VILLAGE. The VILLAGE will compensate the CITY for the sum of metered water volume from all metering sites, adjusted for the tested meter accuracies at the unit price per 1,000 gallons charged by BWD for water purchased for delivery to the VILLAGE plus a markup of three percent (3.0 %). The BULK WATER CHARGE shall be adjusted timely in accordance with periodic and retroactive adjustments as implemented by BWD, such that the BULK WATER CHARGE billed to the VILLAGE is equal to the rate charged for water purchased from BWD for delivery to the VILLAGE, plus a 3% mark-up.

(c) In addition to the two parts the VILLAGE will pay each month described in sections (a) and (b), for any VILLAGE usage that exceeds 5.25 million gallons in a day or 291,600 gallons in an hour (as defined in Section 3 of this agreement) the VILLAGE shall pay a surcharge of 20% of the BWD volume rate to the CITY for all usage that exceeds the defined limits.

3. That it is further agreed by the parties that the maximum daily total volume purchased by the VILLAGE will be 5.25 million gallons with a maximum hourly flow rate of 291,600 gallons.

4. The CITY may adjust the BASE CHARGE, as described in Section 2(a) of this contract, no more than once per calendar year, as described in this section.

(a) That no later than five years after the initial date of this agreement, the CITY shall complete and deliver to the VILLAGE an analysis of the cost of water via study and report performed on a cost of service basis to update billing rates in accordance with generally accepted ratemaking principles as outlined in American Water Works Association's Manual M1: Principles of Rates, Fees and Charges (Manual M1), or its equivalent, as amended from time to time. The resulting rate(s) and any related components determined by said analysis will be charged by the CITY until the subsequent analysis is performed. Results of any study and resulting rates shall become effective on January 1 following completion of said study with no less than 3 months notice of rates to be imposed. The Study shall be completed at any interval not less than 1 year and not more than 5 years from the completion of a prior study. This requirement may be waived for any given year with the concurrence of the governing bodies of both the CITY and the VILLAGE.

“Cost of Service Methodology”. The methodology to be used by CITY to determine the cost of providing water to the VILLAGE refers specifically to the “utility basis” approach to determining the revenue requirement and the “Base - Extra Capacity Method” of allocating the revenue requirement as these are described in Manual M1.

(b) If it has been less than five years since the previous cost of water analysis described in Section 4(a), the CITY may adjust the BASE CHARGE by an amount equal to or less than the year over year percentage change in the Water and sewerage maintenance expenditure category (or its equivalent) of the Consumer Price Index for all Urban Consumers (CPI-U), as published by the United States Department of Labor Bureau of Labor Statistics (or its successor).⁵ That the VILLAGE, at its own expense, has the right to have a Cost-of-Service Study performed at any time and that the CITY agrees to provide all reasonable and relevant information appropriate for the Cost-of-Service Study to be performed. It is agreed that such Cost-of-Service Study performed by the VILLAGE is in no way binding upon the CITY but may be used in negotiations for rate-making purposes. Both parties agree to work together to resolve any Cost-of-Service Study differences to the mutual benefit of each other.

6. That in the event that Beaver Water District adjusts the cost of treated water purchased by the CITY, the CITY shall immediately adjust concurrently on the effective date the VILLAGE's BULK WATER RATE in the amount of the net adjustment of the treated water cost.

7. That the CITY and VILLAGE both covenant and agree that each will abide by all rules, regulations and specifications of the Arkansas Department of Health and Human Services (ADHHS) and the U.S. Environmental Protection Agency (USEPA) applicable to the protection and safety of public water supply systems.

8. The VILLAGE shall pay all costs, charges, and all expenses incidental to construction, maintenance and operation of its own water distribution system and all costs, fees and expenses that may be entailed or incurred in providing any mains or any other distribution facilities from the three respective metering sites of the CITY for the VILLAGE. In like manner, the CITY shall pay all costs, charges and all expenses incidental to construction, maintenance and operation of

its own water distribution system. The CITY and VILLAGE shall share all costs, charges, fees and expenses that may be entailed or incurred in providing any new mains devoted to the delivery of wholesale water to the VILLAGE based on a prorated share of the average volume used by the respective parties.

9. That the CITY shall use all reasonable diligence to provide and maintain an uninterrupted water service to the VILLAGE, but in case of cessation, deficiency, variation in pressure or any other failure or reversal of the service resulting from Acts of God, public enemies, strikes, riots, wars, repairs, orders of any court or any other act responsibly beyond the control of the CITY, the CITY shall not be held responsible to the VILLAGE or any other person for the damage either directly or indirectly resulting from such interruption or failure.

10 If interruptions in service to the VILLAGE become necessary due to repair, extension or rehabilitation of the system, the VILLAGE shall receive timely prior notice of such outage and when the event can be reasonably scheduled, written notice shall be not less than thirty (30) days prior to commencement of any such work.

Should the CITY be unable or unwilling to supply adequate water volume or if the water demand rate of the VILLAGE cannot be met, as defined by this Agreement in Part 1 until Year 2026 and thereafter the Max Day will be 5.25 MGD as defined in Part 2, the VILLAGE may obtain emergency or long term water service from any other source.

11. That the CITY hereby reserves the right to discontinue supplying water to the VILLAGE under this AGREEMENT without notice for any of the following reasons:

- a. Fraudulent misrepresentation as to the condition of the VILLAGE's distribution system as it relates to the protection and safety of the public water supply.
- b. For emergencies where damage to property, equipment or life are likely to occur.
- c. By order of the Arkansas Department of Health and Human Services or the U.S. Environmental Protection Agency.
- d. If any rules or regulations of the Arkansas Department of Health and Human Services or the U.S. Environmental Protection Agency relating to the safety and protection of the public water supply are being abused or violated, as determined by the regulating agency.
- e. For nonpayment as set forth in this agreement.

12. That metering equipment shall be tested annually for accuracy by an independent and duly qualified firm/agency retained by the CITY to ensure accuracy of measurement. The VILLAGE shall be notified at least three (3) days in advance of the time of such test and shall have the right to monitor such test. Each of said metering devices shall be within acceptable standards or shall be immediately repaired, refurbished or otherwise replaced with equivalent

quality metering devices to conform within acceptable standards as recommended and accepted by the American Water Works Association. All billable water volumes shall be corrected based upon the average of the as found and the as-restored test results. The CITY shall have full control of the metering equipment at all times and shall continue to be committed to incur the obligation to maintain those facilities and equipment annually to recommended standards of the American Water Works Association.

13. That the CITY shall read each meter on the first calendar day of each month and a statement rendered as hereinbefore provided. The invoice and payment schedules by the respective parties shall be in accordance with the following procedures. The bill shall be presented to the VILLAGE for payment within fifteen (15) calendar days of the reading date described above. The bill shall be due and payable by the due date, roughly twenty-one (21) days following the date of the bill for the prior month's water purchased. After the due date each month, a ten percent (10%) late penalty will be added to the bill to help defray the cost of handling and processing, and the CITY will provide prompt written notice of nonpayment to the VILLAGE by mail. If payment has not been received by the eighth (8th) day after the due date of bill, the water supply may be discontinued for nonpayment.

In the event the VILLAGE contests a billing by the CITY, the VILLAGE shall pay the full amount of the uncontested portion(s) in accordance with the above paragraph. In the event the VILLAGE is determined to owe any portion of the contested amount, the VILLAGE will pay the remainder amount within fifteen (15) days following resolution of the contested portion(s).

14. That the VILLAGE may have its representative read the master meters at the time of regular reading if so desired, or the VILLAGE may request that the meters be checked or re-read in order to verify its record, and the VILLAGE shall have the right to read said master meter(s) at any other time it deems such action is warranted. If, however, the meter(s) is/are removed for testing more frequently than one accuracy test per year per meter(s) at the request of VILLAGE, and the meter(s) is/are found to be within tolerances for accuracy as previously established in the AGREEMENT, the VILLAGE shall bear all reasonable costs for removal and testing connected therewith. Otherwise, the CITY will bear all costs for the test; volumetric usage during periods of absence of the master meter operation for testing purposes shall be based on the average daily and hourly volume for the corresponding month of the previous year proportioned for the actual hours the meter was out of service.

That the CITY will simultaneously furnish to the VILLAGE the meter data signal and information provided by the metering facility devices should the CITY automate or upgrade its master metering sites with system control and data acquisition (SCADA) information system(s) at no extra charge. In the absence of such facilities being available by the CITY, the CITY will permit the VILLAGE to furnish and install automated metering devices, approved by the CITY, for SCADA application by the VILLAGE at the VILLAGE's sole cost for installation.

15. That the VILLAGE covenants and agrees that in the event of no registration by the master meters, the CITY may render an average bill to the VILLAGE for that portion of the month in which the nonregulation occurred. The volumetric usage to be used for the average bill shall be calculated based on the actual daily and hourly-metered volumes of the previous three months proportioned for the actual hours the meter was out of service.

16. That the VILLAGE covenants and agrees that it will accept and participate to the extent of its authority in any program where water rationing may become necessary due to an emergency resulting from limited supply of water, failure of transportation system, pumping equipment, plant equipment, electrical facilities, or from any other source beyond the control of the CITY, provided that all retail and wholesale customers of the CITY are likewise required to follow like rationing guidelines.

17. This agreement shall remain in full force and effect for an initial period of ten (10) years from and after the effective date of this agreement and shall automatically renew for subsequent five (5) year periods thereafter. Any party wishing not to renew this agreement at the conclusion of the initial term, or any five-year term, thereafter, must submit a written notice of non-renewal at least twelve (12) months prior to the date that the agreement would otherwise be renewed. The party to whom a notice of non-renewal is submitted shall acknowledge receipt of the notice in writing within thirty (30) days of the date of the non-renewal notice. This agreement may be amended during any term only by written approval of both parties executed by the proper authority of the respective parties.

18. The parties agree to act in good faith and use due diligence in meeting their respective obligations under this agreement.

19. This agreement may be executed in counterparts, which together shall constitute a single agreement.

20. If at any time both parties are unable to resolve a dispute over the terms and conditions of this agreement, either party may request in writing that the matter be submitted for mediation. If both parties agree to mediation, they will select and agree on a mediator. The cost of mediation shall be equally shared and paid for by the CITY and the VILLAGE..

21. That this agreement and all of the provisions hereof shall be binding upon and insure to the benefit of the parties hereto, their successors or assigns, and supersedes any other prior contract(s) for water purchase between the parties. Both parties agree and consent that neither this agreement nor any of the rights, interest, nor obligations hereunder shall be assigned by either of the parties hereto without the prior written consent of the other party excepts as herein provided.

22. All notices, request, demands and other communications under this agreement shall be in writing and shall be deemed given if personally delivered or mailed, certified mail, return receipt requested, to the following address:

If to the CITY:
City of Bentonville
1000 SW 14th Street
Bentonville, Arkansas 72712
ATTN: Legal Department

If to the VILLAGE:
Bella Vista Village POA
98 Clubhouse Drive
Bella Vista, Arkansas 72715
ATTN: President

23. That the effective date of this AGREEMENT shall be the ___ day of _____, 20__.

IN WITNESS WHEREOF, the Mayor and City Clerk of the City of Bentonville, Benton County Arkansas, by authority of a resolution adopted by the City Council of the City of Bentonville, have hereto set their hands and caused the corporate seal to be hereunto affixed, and the President and Secretary of Bella Vista Village Property Owners Association, Benton County Arkansas have hereunto set their hands and seals, all of the date first above written.

CITY OF BENTONVILLE, ARKANSAS

ATTEST;

STEPHANIE ORMAN, Mayor

MALORIE MARRS, City Clerk

BELLA VISTA VILLAGE PROPERTY
OWNERS ASSOCIATION

ATTEST;

Tom Judson, President

Jessica McCrary, Corporate Secretary



City of Bentonville, Arkansas Agenda Item Form

Item Details

Council Meeting Date:		Submitted By:	
Phone:		For Department(s):	
Email:			

Item Type (Check all that apply)

<input type="checkbox"/> Informational	<input type="checkbox"/> Bid Award	<input type="checkbox"/> Enter into an Agreement	<input type="checkbox"/> Change Order
<input type="checkbox"/> Recognizing Funds	<input type="checkbox"/> Budget Adjustment	<input type="checkbox"/> Waiver of Bid	<input type="checkbox"/> Emergency Clause
Ordinance	Resolution	Informational	

Title, Recommendation & Justification

Title:	
Action Recommendation & Justification:	
Additional Comments for Consideration (Optional):	

Amount for Approval:	\$
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Budget Impact

Is this Item Budgeted? YES NO ITEM HAS NO COST OTHER: _____

Budget Adjustment (to be completed by Finance when applicable)

Account Number (ORG-OBJECT)	Account Description	Expense	Revenue
		\$	\$
		\$	\$
		\$	\$
		\$	\$

Fund(s) Impacted

(check all that apply)

General Fund **Utility Fund** **Street Fund** **Other(s):** _____

Budget Impact Notes for Consideration (Optional):

DEVELOPMENT AGREEMENT

This Development Agreement ("Agreement") is entered into by and among the City of Bentonville, Arkansas, a municipal corporation with a mailing address of 1000 SW 14th street, Bentonville, Arkansas 72712 ("Bentonville") and Excellerate Housing, LLC (attn. Susan Upchurch) an Arkansas corporation having a mailing address of 5111 W JB Hunt Drive, Suite 120 Bentonville, AR 72758 ("Excellerate Foundation").

WHEREAS, the construction and development of certain improvements to the sanitary sewer main located in the City of Bentonville, South of SW Regional Airport Blvd and East of SW Bright Road within Brightwood Subdivision Phase 1, also known as the off-site public sewer line that serves the proposed McAuley Place development

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is agreed:

1. **Incorporation of Recitals.** The recitals set forth above are not mere recitals of fact but are contractual in nature and incorporated into this Agreement by reference, except in the event of a conflict between the incorporated recitals and the numbered sections of this Agreement, the numbered sections of this Agreement shall control.

2. **Property Development.** Bentonville and Excellerate Foundation agree to pay all expenses related to the Development, according to the following cost sharing schedule:

Excellerate Foundation shall install at their cost all off-site sewer improvements including, without limitation, all labor, equipment and material needed to remove 395 feet of existing sewer main and construct a new 10 inch main in its place, including connections to existing manholes, service lines tie ins, driveway and sidewalk replacement, and full restoration of any areas, as shown in Exhibit A and quantified in Exhibit B.

Bentonville shall provide Excellerate Foundation with payment of \$143,385.50 following completion and acceptance of the improvements, to pay for all costs and expenses related to the public sewer main, due to the line segment being at maximum design capacity prior to the proposed McAuley Place development.

3. **Counterparts.** This Agreement, including all attached exhibits, may be executed at different times and in any number of originals or counterparts and by each party on a separate counterpart, each of which shall

be deemed an original but all of which together shall constitute only one agreement. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought. Facsimile and email signatures shall be deemed valid on all documents related to this Agreement. Any signature page from one counterpart may be appended to another counterpart to create a fully executed counterpart hereof.

4. **Other Acts.** Each party agrees to perform any further acts and deliver any additional documents which may be reasonably requested and necessary to carry out the provisions of this Agreement.

5. **Agreement Construction.** This Agreement and all provisions contained herein have been jointly drafted (or reviewed and negotiated) and agreed to, and shall be deemed to have been prepared jointly by the parties hereto, each being sophisticated in transactions such as the one contemplated by this Agreement and each having the benefit and advice of legal counsel (or the opportunity to seek such counsel), and shall not be construed in favor of or against any party to this Agreement. All headings contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provisions hereof and should not be considered in interpreting this Agreement. In this Agreement the use of any gender shall be deemed to include all genders and the use of the singular shall include the plural, wherever it appears appropriate from the context.

6. **Governing Law.** This Agreement shall be governed by the laws of the State of Arkansas, and the United States District Court for the Western District of Arkansas, Fayetteville Division, or state courts located in Benton County, Arkansas, shall be the exclusive forum for any disputes arising in connection with this Agreement. The parties mutually acknowledge and agree they shall not raise in connection herewith and hereby waive, any defenses based upon venue, inconvenience of forum, lack of personal jurisdiction or the like in any action or suit brought in accordance with the terms of this section. **The parties acknowledge they have read and understand this clause and willingly agree to its terms.**

7. **Severability.** If any part of this Agreement is contrary to, prohibited by or deemed invalid under applicable law or regulation, such provision shall be deemed inapplicable and deemed omitted to the extent so contrary, prohibited or invalid but the remainder hereof shall not be invalidated thereby and shall be given full force and effect so far as possible.

8. **Time is of the Essence.** The parties specifically agree time is of the essence with regard to all provisions of this Agreement. Excellerate Foundation agrees to begin construction of the agreed upon improvements within 45 days of the execution of this agreement, weather and material availability permitting. Bentonville agrees to complete its obligations within 30 days of acceptance of the constructed improvements or execution of this Development Agreement, whichever is greater.

9. **Binding Effect.** This Agreement and the rights and obligations granted hereby shall be binding upon and inure to the benefit of the parties and their respective transferees, successors and assigns, as such succession in permitted in this Agreement.

10. **No Partnership.** This Agreement does not create any obligation or relationship such as a partnership, joint venture or other similar legal relationship under the laws of any state or the federal government. Any correspondence or other references to "partners" or other similar terms will not be deemed to alter, amend or change the relationship between the parties hereto unless there is a formal written agreement specifically detailing the rights, liabilities and obligations of the parties as to a new, specifically defined legal relationship.

11. **Survival of Provisions.** The expiration, termination or consummation of this Agreement shall not affect the provisions, and the rights and obligations set forth therein, which by their terms state or evidence the intent of the parties that the provisions survive the expiration or termination thereof.

12. **Authority of Signors.** The parties represent they have full power and authority to enter into and perform this Agreement and the parties know of no contract, agreement, promise or undertaking which would prevent the full corporate or municipal execution and performance of this Agreement, and the persons executing this agreement on behalf of the parties are duly authorized to do so and have the authority to bind such parties.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF this Agreement has been duly executed and made effective by the parties on this _____ day of _____, 2025.

City of Bentonville:

By: _____
Stephanie Orman, Mayor

Excellerate Housing LLC:

By: _____
Susan Upchurch

EXHIBIT A

EXHIBIT B



124 Grant Place, Suite E
 Lowell, AR 72745
 Office: 479-717-7474

McAuley Off-Site Sewer Improvements - Open Ditch - City of Bentonville Share

#	DESCRIPTION	QUANTITY - Total Offsite	UNIT	UNIT PRICE	TOTAL - CofB Percentage
1	SWPPP, Portable Restroom & General Conditions (OFFSITE) City of Bentonville	1.00	LS	\$ 514.00	\$ 514.00
2	Concrete Sidewalk remove and replace (OFFSITE) City of Bentonville	1,700.00	SF	\$ 10.00	\$ 17,000.00
3	Driveways replace (OFFSITE) City of Bentonville	6.00	EA	\$ 3,500.00	\$ 21,000.00
4	Haul Off (OFFSITE) City of Bentonville	1.00	LS	\$ 2,000.00	\$ 2,000.00
5	10" SDR26 PVC Sewer Line and removal of 8" (Offsite) City of Bentonville	395.00	LF	\$ 115.00	\$ 45,425.00
6	Services divert and reconnect (Offsite) City of Bentonville	6.00	EA	\$ 1,650.00	\$ 9,900.00
7	Coring and Re-Grouting Manholes (OFFSITE) City of Bentonville	2.00	EA	\$ 2,300.00	\$ 4,600.00
8	Testing (OFFSITE) City of Bentonville (Sanitary sewer testing checks for leaks, deflection, and proper installation using air, vacuum, water, and video methods.)	395.00	LF	\$ 1.50	\$ 592.50
9	Backfill Gravel (OFFSITE) City of Bentonville - (City Portion is roughly 120 TNS)	120.00	TONS	\$ 28.00	\$ 3,360.00
11	Pump Around (OFFSITE) City of Bentonville	1.00	LS	\$ 24,000.00	\$ 24,000.00
13	Mobilization / Demobilization (OFFSITE) City of Bentonville	1.00	LS	\$ 1,540.00	\$ 1,540.00
14	GPS Services (OFFSITE) City of Bentonville	1.00	LS	\$ 718.00	\$ 718.00
15	Offsite Restoration (OFFSITE) City of Bentonville (Offsite restoration involves repairing and restoring areas outside the main construction zone that were impacted by project activities—like access roads, staging areas, or utility corridors—to their original or improved condition. Includes topsoil, sod and mailboxes)	1.00	LS	\$ 12,736.00	\$ 12,736.00

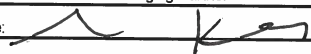
Line item 11 - Covers pump around costs for offsite work area.

- Total contracted cost = \$116,850
- City portion = 20.53% of overall length
- City cost = \$24,000

Line item 13 - Covers mobilization of equipment to offsite work area.

- Total contracted cost = \$7,500
- City portion = 20.53% of overall length
- City cost = \$1,540

Subtotal	\$	143,385.50
COB Cost Share:	\$	143,385.50

Contractor: A-CO Construction, LLC
 Name: Adam Kirkendall
 Title: Managing Partner
 Signature: 
 Date: 9/17/2025



City of Bentonville, Arkansas Agenda Item Form

Item Details

Council Meeting Date:		Submitted By:	
Phone:		For Department(s):	
Email:			

Item Type (Check all that apply)

<input type="checkbox"/> Informational	<input type="checkbox"/> Bid Award	<input type="checkbox"/> Enter into an Agreement	<input type="checkbox"/> Change Order
<input type="checkbox"/> Recognizing Funds	<input type="checkbox"/> Budget Adjustment	<input type="checkbox"/> Waiver of Bid	<input type="checkbox"/> Emergency Clause
Ordinance	Resolution	Informational	

Title, Recommendation & Justification

Title:	
Action Recommendation & Justification:	
Additional Comments for Consideration (Optional):	

Amount for Approval:	\$
-----------------------------	----

Budget Impact

Is this Item Budgeted? YES NO ITEM HAS NO COST OTHER: _____

Budget Adjustment (to be completed by Finance when applicable)

Account Number (ORG-OBJECT)	Account Description	Expense	Revenue
		\$	\$
		\$	\$
		\$	\$
		\$	\$

Fund(s) Impacted

(check all that apply)

General Fund **Utility Fund** **Street Fund** **Other(s):** _____

Budget Impact Notes for Consideration (Optional):



Administrative Services
Purchasing and Compliance Department
1000 SW 14th Street
Bentonville, AR 72712

CITY OF BENTONVILLE, ARKANSAS

City Hall
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SERVICE CONTRACT: 3-Phase Transformers

THIS CONTRACT is made in Benton County, Arkansas, by and between the City of Bentonville, Arkansas, hereinafter “City,” and Arkansas Electric Cooperative, Inc., hereinafter “Contractor” (collectively, the “Parties”), Witnesseth:

1. DESCRIPTION. This Contract has been awarded to Contractor as a result of Contractor’s Quote (attached hereto as **Exhibit B**) to the City’s Invitation for Quotes, for the purchase and delivery of 3-Phase Transformers, as specified in the Scope of Work (attached hereto as **Exhibit A**). The work shall consist of performing the services, including all equipment, materials, products and all other items necessary to perform the work, as set forth in this Contract and **Exhibit A**.

2. PRIMARY CONTACTS. The primary contact for the Contractor shall be _____ . The primary contact for the City shall be the City of Bentonville Electric Utilities Director, or designated assignee.

3. CONTRACT TERM. The term for this Contract shall be one (1) year, commencing on the effective date of this Contract.

a. Effective Date: The Effective Date of this Contract shall be defined as the executed date on the Signature Page of this Contract.

b. Service Timeline:

1. Order for 3-Phase Transformers per the unit prices attached herein, shall be placed by Contractor immediately following Purchase Order received from the City.
2. Contractor shall deliver the order to the City within fourteen (14) weeks from the date of the order being placed.

c. Any changes to the Term of this Contract or to the Service Timeline shall be agreed upon by the Parties in writing and shall be in accordance with this Contract and all applicable procurement laws and the City of Bentonville Purchasing Policy.



4. WORK PROCEDURES. All work procedures shall be in accordance with this Contract and with the Exhibits attached hereto.

a. Specifications. All work shall be performed in accordance with industry standards and best practices, and as specified in this Contract and in the Exhibits attached hereto.

b. Change Orders. Any changes to the Scope of Work shall be handled via Change Order to this Contract. No Change Order shall be approved unless approved in writing by the City. All Change Orders must be pre-approved prior to any work commencing, any materials being purchased, or any other fee being incurred related to the Change Order. The City shall not be responsible for Change Orders unless the Change Order is pre-approved in writing by the City.

1. Owner's (City's) Contingency: Not applicable

c. Unsatisfactory Results. Contractor agrees to remedy any unsatisfactory results, within the terms of this Contract.

d. General. The Contractor shall conduct their operations in such a manner that does not cause damage to property owned by the City or other individual. In the event damage occurs, Contractor shall replace or repair the damaged area(s) or item(s) at no cost to the City and as directed by the City. In the event that Contractor fails to make the necessary repairs, the City may use City staff or outside vendors to repair any damage. Any costs the City incurs for repairing damage or replacing items resulting from Contractor's operations may be deducted from monies due to Contractor.



5. FEES, EXPENSES, AND SCHEDULE. The City agrees to pay Contractor based upon the unit price as defined herein, for actual work performed or material stored on-site. Contractor agrees to only perform the type of services outlined in this Contract and the Exhibit attached hereto. Fees and contingencies shall be as follows:

a. Total Fee for Services: \$162,670.00 (one hundred sixty-two thousand six hundred seventy dollars and zero cents), plus applicable taxes to perform the work to 100% completion.

b. Owner's Contingency: Not applicable

6. ADDITIONAL SERVICES. Any service outside of the services stated herein and in the Exhibit attached hereto, must be pre-approved by the City, in writing, and in accordance with the City of Bentonville Purchasing Policy prior to any additional work proceeding.

7. INVOICING. Contractor shall submit an invoice (or Pay Application), for work performed or materials stored on-site, to the City's Contact for review. Invoices approved for payment will be processed by the City. Payment will only be made for actual work completed and approved by the City's Contact.

a. The Contractor may choose to submit progress invoices (for actual work performed or materials stored on site) or one invoice after 100% completion.

8. PAYMENT.

a. Inaccurate Invoicing. In the event that the City becomes credibly informed that any representations of Contractor provided in its invoicing are wholly or partially inaccurate, the City may withhold payment of sums then, or in the future, otherwise due to Contractor until the inaccuracy and the cause thereof is corrected to the City's reasonable satisfaction.

[This space has been intentionally left blank]



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b. Service Failure. In the event of a service failure, where the service performed is not in accordance with the specifications set forth by the City, or otherwise not in accordance with this Contract, the City may withhold sums otherwise due to Contractor that are specifically for the area in which the service failure occurred, until correction of the service failure is confirmed. In the event that Contractor fails to correct the service failure within forty-eight (48) hours of being notified, or if the Contractor fails to correct the service failure in a manner which brings the work into specification as approved by the City's contact, the City reserves the right to cancel the Contract immediately.

9. TERMINATION FOR LACK OF FUNDS. If, for whatever reason, adequate funding is not made available by City to support or justify continuation of the level of services to be provided by Contractor under this Contract, City may terminate or reduce the amount of services to be provided by Contractor under this Contract. In such event, City will notify Contractor in writing at least thirty (30) days in advance of such termination or reduction of services for lack of funds.

10. DISPUTE RESOLUTION. City and Contractor agree that disputes relative to the Services will first be addressed by negotiations between the Parties. If direct negotiations fail to resolve the dispute, the Party initiating the claim that is the basis for the dispute may take such steps as it deems necessary to protect its interests; provided, however, that notwithstanding any such dispute, Contractor will proceed with the services as per this Contract as if no dispute existed, and City will continue to make payment for Contractor's completed services; and provided further that no dispute will be submitted to arbitration without both Parties' express written consent.

11. SUBCONTRACTING. Contractor may not subcontract or assign any of the services to be performed under this Contract without first obtaining the written approval of the City. Any Subcontractor approved by the City must be fully licensed and insured to perform the work.

[This space has been intentionally left blank]



12. INSURANCE. Contractor shall purchase and maintain, at minimum, such insurance as defined herein and furnish Certificates of Insurance to the City naming the City of Bentonville as additionally insured. The insurance shall be appropriate for the performance of the work, as described herein, and shall provide protection from damage occurring to City owned property and from, and any other claims which may arise out of or result from the Contractor's performance of the work; whether it is to be performed by the Contractor, any subcontractor or supplier, or by anyone directly or indirectly employed by any of them to perform any of the work, or by anyone for whose acts any of them may be liable:

The policies of insurance required are as follows:

- 1) Workers' Compensation:
 - a. State: Statutory
 - b. Applicable Federal: Statutory
- 2) Comprehensive or Commercial General Liability: \$1,000,000.00 – Each Occurrence

In the event that any interruption or change in insurance coverage may occur, the Contractor shall provide the City with thirty (30) days written notice of any such interruptions or changes. Failure to maintain the required insurance will result in the direct breach of this Contract and subsequent termination.

13. INDEMNIFICATION AND HOLD HARMLESS. For purposes of this Contract, Contractor agrees to indemnify, defend and hold harmless the City, its officers, appointees, employees, and agents from any and all loss, damage, liability or expense, of any nature whatsoever caused or incurred as a result of the negligence or other actionable fault of Contractor, its affiliates, subsidiaries, employees, agents, assignees, and subcontractors and their respective employees and agents. Contractor is not required hereunder to defend the City, its officers, appointees, employees, or agents from assertions that they were negligent, nor to indemnify and hold them harmless from liability based on the City's negligence.

[This space has been intentionally left blank]



14. SAFETY AND SUPERVISION. The Contractor shall be solely responsible for the safety, supervision and direction of Contractor's employees and personnel while performing the work pertaining to this Contract. The Contractor shall utilize their best skills and general industry best practices to ensure a safe work environment for the Contractor, Contractor's employees and personnel, and the civilians that may be located within work site(s) at the time when work is being performed. The Contractor shall, at all times, enforce strict discipline and good order among his employees and personnel, and shall not employ or contract any person to perform the services to be provided to the City that is not skilled or is unfit for providing such services.

15. TAXES, LICENSES AND PERMITS. The Contractor shall pay all Local, State and Federal taxes required by law and shall secure all permits and licenses necessary for the execution of the services described herein.

16. DAMAGES. All operations pertaining to the services described herein shall be confined to the areas awarded to Contractor as set forth herein and as are described in the Exhibit attached hereto, unless otherwise permitted by written communication from the City. The Contractor shall be solely liable for any damages caused by Contractor, or Contractor's employees or personnel, to such premises or otherwise in performance of this Contract.

17. ENTIRE CONTRACT. This Contract, including all documents and Exhibits included by reference herein, constitutes the entire Contract between the Parties and supersedes all prior agreements, whether oral or written, covering the same subject matter. This Contract may not be modified or amended except in writing mutually agreed upon and accepted by both Parties to this Contract.

18. NO THIRD PARTY BENEFICIARIES. Nothing contained herein will create a contractual relationship with, or any rights in favor of, any Third Party.

19. INDEPENDENT CONTRACTOR. Contractor is an independent contractor and is not an agent or employee of City.

20. COMPLIANCE WITH LAWS. Contractor will abide by all applicable federal, state and local laws, ordinances and regulations applicable at the time the services are rendered.



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21. APPLICABLE LAW, JURISDICTION, VENUE. Interpretation of this Contract and disputes arising out of or related to this Contract will be subject to and governed by the laws of the State of Arkansas. Jurisdiction and venue for any suit arising out of or related to this Contract will be in the Benton County Circuit Court of Benton County, Arkansas.

22. SEVERABILITY. If any provision of this Contract is determined to be void, invalid, unenforceable or illegal for whatever reason, such provision(s) will be null and void; provided, however, that the remaining provisions of this Contract will be unaffected and will continue to be valid and enforceable.

23. AMBIGUITY. If any ambiguity, inconsistency or conflict arises in the interpretation of this Contract, the same will be resolved by reference to the terms and conditions of this Contract.

[Signature Page Follows]



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SIGNATURE PAGE

The Parties hereto have caused this Contract to be executed this
_____ (effective date).

CITY OF BENTONVILLE, ARKANSAS

By: _____
Stephanie Orman, Mayor

By: _____
(Signature)

**By signing this Contract, Signor attests that they are authorized to bind this Company to this Contract.*

Name (printed): _____

Title: _____

Arkansas Electric Cooperative, Inc.

Address: _____

Date: _____



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EXHIBIT A

SCOPE OF WORK



Administrative Services
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SCOPE OF WORK

The purchase and delivery of Three Phase Pad-Mount Distribution Transformers. The Contractor will be responsible for supply Three Phase Pad-Mount Distribution Transformers. Delivery must be made to the specified location within the agreed-upon timeframe.

Location: Inventory Department - 501 SW 28th Street Bentonville, AR 72712

Lead time: 12-14 Weeks

Estimated quantity to be ordered: 6



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EXHIBIT B

QUOTE FORM

