

O&M Qualification and Bidding Process Description

CSWR is dedicated to identifying and employing qualified low-cost firms to operate facilities that we acquire. A multi-step process has been developed to ensure that the Operation Firm that delivers the best value of service is selected. The cost savings yielded from this process are due to the ability to bid multiple systems in a single bid package, and the ability of Red Bird UOC to choose from the lowest cost qualified bidders.

The first step in this process is to identify potential firms in the vicinity of the acquisition. CSWR utilizes several avenues to identify potential Operation Firms. This includes, but is not limited to, web searches, contacting local Rural Water Associations, word of mouth, and local contacts in the area. The goal is to contact as many potential Operating Firms as possible to make sure that we can identify a firm that provides adequate services to assist CSWR in delivering safe and reliable water resources and/or sewer service to the communities we serve.

After identifying potential firms, CSWR sends a Request for Qualifications (RFQ) packet to all identified firms (a copy of the RFQ is attached). After a firm is deemed qualified to serve as a CSWR contractor, CSWR will begin to send Requests for Proposals (RFPs) for projects that are within their service area and are within their operational capabilities. These RFPs contain multiple service areas/projects in order to best achieve economies of scale and yield cost-savings to our utility ratepayers. As new firms are identified and become qualified, the Company receives more bids and has a better chance of finding the best value firm to provide service.

After approval for acquisitions, the Company will divide up projects due for closing on a regional basis. This is done in attempt to lower operational costs and make the projects more manageable for CSWR and the selected Operations Firm. Another benefit to the regional approach is that it gives the opportunity for local operations firms to compete with the Nationwide firms. After the RFPs have been returned, CSWR's Environmental, Health & Safety Team review all Proposals to find the best value for the facility. The value is determined by a combination of cost and services provided proposed to be provided from the Operations Firm. After the best value proposal is determined, CSWR and the selected firm will negotiate to ensure that all parties agree on how to best serve the community.

In North Carolina specifically, CSWR has sent out RFQ packets to 11 different entities and have approved three of those entities as qualified contractors (identified below):

- Inframark Water & Infrastructure Services
- Woodard & Curran
- Midwest Water Operations

At this time, the Company plans to award one of these three contractors the O&M contract to serve the customers of the Bear Den water system that is the subject of these dockets.