

MEMORANDUM

DATE: September 6, 2016
TO: William Stowe, CEO and General Manager
FROM: Ted Corrigan, COO
SUBJECT: HomeServe Overview and Extension

Background

DMWW signed an agreement with HomeServe USA on December 19, 2012. The agreement had an initial term of 3 years which expired on December 19, 2015. After the initial term, the agreement calls for automatic one-year renewals, unless either party provides notice of termination not less than 90 days prior to the renewal date. We are currently within the first one-year renewal period which will end on December 19, 2016. The second one-year renewal period will expire on December 19, 2017.

The agreement also provided the following five-year pricing structure:

- October 1, 2012: \$3.99 per month.
- October 1, 2013: \$3.99 per month.
- October 1, 2014: \$4.49 per month.
- October 1, 2015: \$4.49 per month.
- October 1, 2016: \$4.99 per month.

The price for HomeServe coverage in Des Moines is currently \$4.49 per month and will increase to \$4.99 on October 1 of this year.

To date, our experience with HomeServe has been positive. They have provided prompt, high quality service and they have been responsive to any concerns we have raised. They continue to complete, on average, one covered repair each day and have done so since the inception of the program.

In anticipation of the end of the original agreement, with extensions, at the end of 2017, HomeServe has offered a proposal for three additional years of service. They are offering the

same level of service for three additional years with the addition of frozen service line coverage and a continuation of the pricing structure used during the first five years of the program - \$0.50 increase in the monthly charge every other year. The pricing structure through the end of 2020 would be as follows:

October 1, 2017: \$4.99 per month.

October 1, 2018: \$5.49 per month.

October 1, 2019: \$5.49 per month.

October 1, 2020: \$5.99 per month.

As a comparison, \$5.99 per month was monthly rate proposed by the second low bidder when proposals were originally requested in 2012.