



January 2024

Jeffrey A. Fiegenschuh, ICMA-CM, MPA
City Manager
City of Rochelle
420 North 6th Street
Rochelle, IL 61068

Utility Financial Solutions, LLC (UFS) is pleased to submit an engagement letter to provide an electric cost of service analysis with additional studies for Rochelle Municipal Utilities (RMU). Our proposal is based on our prior experience with completing cost of service studies for municipal utilities around the United States. UFS is an internationally known firm with a long-standing relationship and history of assisting municipalities with financial analysis and are recognized experts in the utility field. UFS personnel are instructors for the American Public Power Association, Southern Gas Association, and the National Association of Regulatory Utility Commissioners. Courses UFS instruct include financial planning, cost of service, rate design, and a series of Commission training programs.

Prior Experience: UFS is comprised of experienced staff including economists, engineers and finance professionals. Our reputation has allowed us to be the recommended rate consulting firm for numerous associations and agencies around the country. Our extensive experience provides Councils with studies that can be relied upon. Please feel free to contact the references included in this proposal.

Project Approach: UFS has obtained rate approval for thousands of utilities. Our unique approach includes development of key targets to keep the utility financially stable, development of minimum and maximum levels of rate adjustments, and identification of a long-term rate track for each utility. The key targets and development of the rate track is used as part of an educational presentation for the governing body to obtain guidance and input in the rate making process. Our methodology and the education provided is why we have grown to be the preferred provider of rate study services in the United States.

We appreciate the opportunity to submit this proposal and look forward to discussing it with you. If you have questions or need additional information, please contact me at 616.403.5450.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Beauchamp", is written over a horizontal line.

Mark Beauchamp, CPA, MBA, CMA
President, Utility Financial Solutions, LLC



Detailed Breakout of Scope of Services

Completion of Cost of Service, Financial Projection, and Rate Design

- Cost of Service Analysis
 - Cost of service identifying cost to serve each class of customers
 - Minimum system analysis to identify cost to recover in customer charges
 - Load research development on how customers use electricity
 - Distribution breakdown of costs
- Financial Projection and long term rate track
 - Development of five-year financial projection
 - Identification of long term rate adjustments
 - Identification of projected debt coverage ratios
 - Minimum cash reserve for the utility to maintain
 - Identification of target operating income
- Rate Design for one year
 - Impact of rate designs at various usage levels within each class
 - Movement of rate toward cost of service
- Detailed report for Management in PDF format
 - Identifying process and result of study
- Presentation
 - Present the findings and recommendations to Management and governing body via WebEx – one virtual presentation included

Additional Studies

- Valuation of Solar Update
 - Determine of value of solar for customer behind the meter roof top solar installations
 - Valuation will consider power supply capacity, market prices of power supply, transmission costs and if applicable RMU sub-transmission assets.
- Residential Time of Use Rate Review
 - Review of current power supply, system loads to identify costs and time periods
 - Model year round TOU and analyze effect on customers and develop rate to update existing rate
- Green Energy Rate Update - Customers have option to participate in a green energy program. UFS will review the current resource mix that fits green energy criteria and identify green energy rate
- Identify Line Extension Policy
 - Identify contribution margins generated from current rates to fund infrastructure investments
 - Identify maximum potential contribution could make toward extension of service to a new customer
 - Compare with existing policy and examine differences



Proposed Professional Services Agreement

Prices, terms, and conditions are good for a period of 90 days from this proposal date January 17, 2024. Payment will be made through submission of invoice which itemizes the work performed.

Check box to engage in service

<input type="checkbox"/>	Cost of Service, Financial Projection, One-Year Rate Design	\$ 27,500	
<input type="checkbox"/>	Value of Solar and Residential Time of Use	10,000	<i>Good faith estimate</i>
<input type="checkbox"/>	Green Energy Rate	500	
<input type="checkbox"/>	Line Extension Policy	5,000	<i>Good faith estimate</i>

Anticipated Meetings:

- Initial meeting – Conference call to clarify scope of services, expectations of management and preliminary information request
- Fieldwork – Conference call to verify data provided
- Draft report with management - Conference call
- Final report with management – Conference call

Deliverables in pdf:

- 1) Long-term financial projection and rate track
- 2) Cost of service analysis
- 3) Minimum cash reserve determination
- 4) Debt service ratio
- 5) Target operating income (rate of return)
- 6) One-year rate design & revenue proof
- 7) Value of Solar Study
- 8) Develop/ Update Residential TOU Rate
- 9) Identify Green Energy Rate
- 10) Develop Line Extension Policy and Comparison with Any Existing Methodology

Hourly Rates (travel is discounted at 50%)

Mark Beauchamp	\$ 355.00
Dawn Lund	\$ 306.00
Dan Kasbohm	\$ 270.00
Mike Johnson	\$ 270.00
Chris Lund	\$ 270.00
Jillian Jurczyk	\$ 200.00
Joan Bakenhus	\$ 165.00
Support Staff	\$ 75.00 – 130.00

Onsite Meetings + Out of Scope Pricing

Any requested and approved onsite presentation will be billed at hourly rates with a 50% discount on related travel time. Out of pocket travel expenses are billed at cost. All costs incurred from schedule changes initiated by client after booking will be considered out of pocket. Out of scope items and work hours will be billed at the hourly rates listed on this page.

We look forward to exceeding your expectations. Please sign, date, and return to mjohnson@ufswb.com at your earliest convenience.

Sincerely,

Mark Beauchamp, CPA, MBA, CMA
President, Utility Financial Solutions, LLC

Date:

Accepted By:

RMU