



April 5, 2016

Ms. Barbra Bell, Supervisor of Customer Service
Rochelle Municipal Utilities
333 Lincoln Highway PO BOX 456
Rochelle, IL 61068

Dear Ms. Bell,

It is a pleasure to submit this engagement letter to provide a Financial Projection and Presentation, with a subsequent Cost of Service and Rate Design Study for Rochelle Municipal Utilities (RMU). This letter describes the scope of services and fees to complete the tasks described.

Utility Financial Solutions, LLC (UFS) has provided financial services to electric utilities in 43 states, Canada, Guam and the Caribbean providing financial projections, cost of service and rate design studies. UFS has an extensive experience working with Board of Directors, Public Service Commissions and have delivered testimony in courts on financial and rate related issues. Our reputation has allowed us to be the recommended rate consulting firm for numerous joint action agencies around the country and the American Public Power Association (APPA). We are also the preferred vendor for cost of service and financial analysis through APPA's Hometown Connections.

If you are in agreement with the terms identified, please sign and return to the address listed below.

Scope of Services:

Phase Two: Cost of Service and Rate Design – Summary deliverables

- Executive Summary for Management and the Board of Directors
 - a. Cost of service identifying cost to serve each class of customers
 - b. Minimum system analysis to identify cost to recover in customer charges
 - c. Load research development on how customers use electricity
 - i. Load Factors
 - ii. Contribution to system peak demands
 - iii. Peak demand of each class of customers
 - d. Power Supply cost breakdown by class
 - i. By season, demand and energy
 - e. Distribution breakdown of costs
 - i. Customer charge
 - ii. Distribution charges at voltage (service) level
 - 1. Transmission level customer
 - 2. Primary metered customer
 - 3. Secondary metered customer
- Rate Design for one year
 - a. Impact of rate designs at various usage levels within each class



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Main Office Location:

185 Sun Meadow Ct.

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- b. Expert opinion on any changes to rate classes including additions
 - c. Movement of rate toward cost of service
- Detailed report for Management
 - a. Identifying process and result of study
- Presentation to Management and the Board of Directors/City Council
 - a. Presentation of results - See "Detailed Breakdown of Scope of Services" at the end of this document for specific meeting dates
 - b. Input from Board/Council on rate adjustments and movement toward cost of service

Fees to complete the analysis:

It is anticipated on-site meetings will be required to complete the analysis, much of the analysis will be completed at UFS office locations.

Phase 2 Cost of Study and Rate Design \$21,000 (excluding out of pocket expenses)

Out of pocket expenses for travel will be billed at cost, actual travel time will be billed at 50% off of standard hourly rates.

UFS Standard Hourly Rates are as follows:

Name	Title	Hourly Rate
Mark Beauchamp	President	\$290.00
Dawn Lund	Vice President	\$230.00
Dan Kasbohm	Manager	\$210.00
Mike Johnson	Manager	\$210.00
Chris Lund	Business and Technology Manager	\$190.00
Joan Bakenhus	Senior Financial Analyst	\$130.00
Jillian Beauchamp	Financial Analyst	\$105.00
Robert Blank	Financial Analyst	\$95.00

We appreciate the opportunity to provide this quote. Please call or email me with any additional questions. We look forward to the opportunity to provide this service to RMU.

Project Schedule

Our experience with municipal electric cost of service and rate design studies, allows us to conduct a cost effective and efficient study. A detailed schedule will be finalized during the initial project kick-off meeting with management. The completion of the project is dependent on the cooperation of various departments within the Rochelle Municipal Utilities to prepare the information request in a timely manner.



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If you are in agreement with the above terms and conditions, please sign below

Name

Date

Thank you,

A handwritten signature in black ink that reads "Mark Beauchamp". The signature is written over a horizontal line.

Mark Beauchamp, CPA, MBA, CMA
President, Utility Financial Solutions, LLC
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Holland MI, 49424

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