



November 5, 2024

Tom Ourada
City Administrator
City of Crete
243 East 13th Street
Crete, NE 68333

RE: Cost of Service / Rate Design Study Letter Agreement

Dear Tom:

JK Energy Consulting, LLC (JKEC) is pleased to submit this letter agreement to prepare a Cost of Service / Rate Design Study for the City of Crete and its electric utility (Utility). This proposal was prepared pursuant to our email exchange on September 4, 2024, and includes the scope of services, fee proposal, deliverables, and schedule.

Project Understanding

The City purchases its total power supply requirements from the Western Area Power Administration (Western) and the Municipal Energy Agency of Nebraska (MEAN) under its long-term Service Schedule M agreement. The City is interested in having a cost of service and rate design study prepared to ensure its electric rate structure is adequate to pay for projected expenses.

Scope of Services

Task 1: Data Collection / Kick-Off Meeting. This task involves collecting retail usage, operating expense, purchased power, and other data necessary to complete the cost of service analysis. A data request will be prepared and submitted to the City. To the extent certain data is not available, alternatives to the requested data will be identified.

A kick-off meeting will be held via Zoom to answer questions about the data request, discuss goals and objectives of the rate study, identify key issues, and finalize the project schedule.

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Task 2: Calculate Revenue Requirements and Operating Results. This task involves reviewing the projected operating expenses, non-retail revenues, debt service expenses and other elements that make up the projected revenue requirements. Revenue requirements will be calculated for a “Test Year” and for a projected period of three additional years. Projections will be prepared on a “cash basis” to ensure adequate cash flow to cover projected expenses, including capital improvement and debt service requirements. Projected retail revenues will be compared to projected expenses to develop projected operating results going forward. The purpose of this task is to identify necessary rate increases for future periods.

Task 3: Prepare Cost of Service Analysis. This task involves calculating the cost of service for each retail rate class, using generally accepted ratemaking principles for municipal utilities. Principles consistent with guidelines prepared by the American Public Power Association, the National Association of Regulatory Utilities Commissioners, the Federal Energy Regulatory Commission, and others will be followed.

The various expenses incurred by the City will be identified and assigned to a function based on the type of service provided, such as transmission, distribution, and customer service. An appropriate method for allocating expenses for each function among the various rate classes will be identified. For example, purchased energy costs may be allocated based on the energy purchased by each retail class, while customer service expenses may be allocated based on the weighted number of retail customers.

The allocated cost of service for each rate class will be compared to the projected revenues for each rate class to determine the need for future rate changes and provide guidance for the rate design process.

Task 4: Rate Design. This task involves designing retail rates for each rate class. This task considers the cost of service results as well as other goals established by the City. These goals may include long-term rate stability, competitiveness with neighboring utilities, financial stability, mitigation of large rate increases on particular rate classes, and funding of future capital projects. JKEC will visit with City staff to review these goals and establish rates that best accomplish the identified goals. Rate comparisons with neighboring utilities will be prepared.

Task 5: Draft Report. This task involves preparing a draft report for review by City staff. The report will be suitable for review by non-utility personnel with tables that summarize the key results of the cost of service analysis. An updated rate ordinance will be provided that implements the proposed rates. JKEC staff will present the results at a meeting with City staff.

Task 6: Present Results. This task involves preparing a formal report for presentation to the City Council. The report will be suitable for review by non-utility personnel with tables that summarize the key results of the cost of service analysis. An updated rate

ordinance will be provided to implement the proposed rates. JKEC staff will present the report and be available to answer any questions.

Schedule

The following schedule is based on the City providing notice to proceed no later than December 1, 2024. Any delay in executing the agreement or providing requested data will result in a similar delay in subsequent milestones. All dates are approximate and will be adjusted to conform to regularly scheduled City Council meetings.

December 1, 2024	Notice to proceed
Mid-December 2024	Kick-off meeting with City staff (via Zoom) to discuss the requested data and discuss the study process, including rate design goals
January 17, 2025	Receive all requested data from City
February 28, 2025	Draft report completed and sent to City staff
March 6, 2025	Review draft report with City staff via Zoom
April 2025	Present results to the City Council
May 1, 2025	Final report, including all work papers, submitted to City

Meetings

The fee proposal includes one site meeting. The purpose of the meeting will be to present the final results to the City Council. If additional visits are requested, billing will be based on JKEC's standard billing rate schedule, which is shown in Attachment 1.

Deliverables

1. One electronic copy of the summary report (summary form of report with proposed rate ordinance).
2. One hard copy of the final report, including all work papers, if requested.
3. One electronic copy of the final report, including all work papers, in Adobe Acrobat (.pdf) format.
4. One electronic copy of the proposed rate ordinance in Microsoft Word format.
5. Presentation of results to the City Council.

City Responsibilities

The City will be responsible for:

1. Providing requested data on a timely basis, including timely response to any questions or clarifications regarding the provided data.
2. Reviewing draft study results on a timely basis.
3. Scheduling appropriate meeting(s) with the City Council and others.

Fee Proposal

Based on JKEC's standard billing rate schedule, the cost to provide the above-listed Scope of Services will be a lump sum fee of \$13,000. Billing will be based on the following schedule:

- \$1,500 will be invoiced upon completion of the kick-off meeting
- \$6,000 will be invoiced upon completion and transmittal of the draft report
- \$2,000 will be invoiced upon review of draft report with City staff
- \$2,000 will be invoiced upon presentation of the final report to the City Council
- \$1,500 will be invoiced upon submittal of the final report, including all work papers.

Invoices will be transmitted electronically via email and are due upon receipt. Interest will accrue on unpaid balances after 30 days at a rate of 1% per month.

Study Update

If the City would like an update to the study within three (3) years of the initial study, the lump sum fee for the update would be \$5,000. Revenue requirements, particularly related to purchased power expenses, will be updated while using the previously collected customer data to determine the need for an additional rate increase. A new rate ordinance will be provided, if necessary. This fee does not include a visit to present the proposed rates to the City Council. If a presentation of the study update is requested, the fixed fee for the presentation will be \$1,500. A request for a study update must be made in writing no later than December 1, 2027.

Additional Services

Any services not included in the above-listed Scope of Services will only be provided upon written agreement by the City and JKEC. Such services will be billed at JKEC's standard billing rate schedule (see Attachment 1).

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JKEC appreciates the opportunity to provide this letter agreement to the City. If it is acceptable, please print this letter, sign, and return (electronically is acceptable) to JKEC.

Sincerely yours,



John A. Krajewski, P.E.
JK Energy Consulting, LLC

Attachment

ACCEPTED BY:

City of Crete, Nebraska

Signature: _____

Printed Name: _____

Title: _____

Date: _____

Attachment 1 - JKEC Standard Billing Rate Schedule

The following rate schedule will be used to determine monthly billings unless a fixed fee or other billing arrangement is specified. The rate schedule will also be used to determine charges for additional services requested but not included in the agreed-upon Scope of Services.

<u>Billable Item</u>	<u>Billing Rate – effective January 1, 2024</u>
John A. Krajewski, P.E.	\$150.00 per hour
Senior Consultant	\$125.00 per hour
Administrative Staff	\$65.00 per hour
Mileage	IRS standard rate for business use for 2024: \$0.67/mile
Lodging, meals, other travel	Actual cost, without markup
Copies, faxes, postage, phone, other office overheads	Included in hourly billing rate
Outside professional services	Actual cost