

Iris Associates

*Management, Engineering & Environmental Strategies
for Business, Industry & Government*

September 20, 2001

Mr. Dan Bjerke
Director of Public Works
City of Rapid City
300 Sixth Street
Rapid City, South Dakota 57701

Subject: Agreement for Utility Rate Engineering Services

Dear Mr. Bjerke:

In accordance with our recent conversation, Iris Associates is pleased to submit this revised proposal for utility rate engineering services to the City of Rapid City. Based on the recent action by the Rapid City Common Council, it would appear that capital development fees will not be considered at this time for alternative revenue sources. This then requires some modification of the water reclamation utility rate spreadsheet package, and work can begin on the final draft. As a result the tasks listed below have been modified and the overall capped amount for the year has been adjusted accordingly. For convenience, this proposal is presented in a form that can be accepted and signed as an agreement between Iris Associates and the City of Rapid City. HDR Engineering, Inc. will provide services as a consultant to Iris Associates.

Over the past four years Iris Associates in conjunction with the Alliance of Architects and Engineers and HDR Engineering, Inc. has conducted rate studies for both the water utility and the water reclamation utility. The water rate study, which included a bill tabulation study and a capital development fee study, was completed in March of 1999. The water reclamation rate study is ongoing and a draft of the spreadsheet program has been submitted. Following the recent action of the Common Council, this draft will be updated, the documentation portion will be added, and the final report will be submitted. Both rate studies have incorporated the development of EXCEL based software. This new software will allow staff and the Common Council to continue to monitor and update utility costs and rate requirements as needed without the need for extensive future rate studies, but rather only updates in the databases to incorporate changes in capital improvement programs, operation/maintenance costs, and policy changes by the Common Council.

As a result of the need to continue the utility rate implementation and updating process the city has requested engineering services to include, but not necessarily be restricted to the following:

1. Continued consultation on the impact and implementation of multi-year rate scenarios and the production and revision of associated ordinances.
2. Resolution of issues related to wholesale contracts and defensible rates for the city's wholesale customers, including Ellsworth Air Force Base (EAFB). This will potentially include the development and revision of contract documents.

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3. Staff training and implementation of the rate software developed as part of both utility rate studies. Due to the time that has passed since the inception of the original water rate portion of the study (1999), an update of the EXCEL database will be required to insure accurate revenue/expense information.

Compensation for services will be on a time and expense basis. Direct expenses will be billed with no markup. Time related charges shall be made as follows:

Michael D. Strub, PE; Iris Associates: \$75.00 per hour

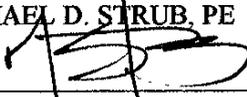
George Oamek, PhD; HDR Engineering, Inc.: \$130.00 per hour.

Total billing under this contract will not exceed \$8,000 unless amended in writing, and can be terminated at any time by the City of Rapid City. Work completed prior to termination would be due at that time.

We look forward to continuing our work of the City of Rapid City. Please call if you have any questions.

Respectfully yours,

IRIS ASSOCIATES
MICHAEL D. STRUB, PE

By  _____

Date SEPTEMBER 20, 2001

THE HONORABLE JERRY MUNSON
MAYOR, CITY OF RAPID CITY

By _____

Date _____

JIM PRESTON
CITY FINANCE OFFICER, CITY OF RAPID CITY

By _____

Date _____