

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE APPROVAL OF A SECOND AMENDMENT TO A PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY OF DENTON AND NEWGEN STRATEGIES AND SOLUTIONS, LLC, AMENDING THE CONTRACT APPROVED BY CITY COUNCIL ON MAY 4, 2021, IN THE NOT-TO-EXCEED AMOUNT OF \$169,500.00; AMENDED BY AMENDMENT 1 APPROVED BY PURCHASING; SAID SECOND AMENDMENT TO CONTINUE TO USE SERVICES TO REFRESH THE ELECTRIC COST OF SERVICE STUDY AND EXPAND THE STUDY TO INCLUDE THE VALUE OF SOLAR FOR DENTON MUNICIPAL ELECTRIC; PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFOR; AND PROVIDING AN EFFECTIVE DATE (RFQ 7628 – PROVIDING FOR AN ADDITIONAL SECOND AMENDMENT EXPENDITURE AMOUNT NOT-TO-EXCEED \$150,000.00, WITH THE TOTAL CONTRACT AMOUNT NOT-TO-EXCEED \$326,000.00).

WHEREAS, on May 4, 2021, City Council awarded a contract to NewGen Strategies and Solutions, LLC, in the amount of \$169,500.00, for the Electric Utility Cost of Service and Rate Design Study for Denton Municipal Electric; and

WHEREAS, on April 17, 2023, Purchasing awarded a First Amendment to NewGen Strategies and Solutions, LLC, in the amount of \$6,500.00, to continue to use services to refresh the Electric Cost of Service study and expand the study to include the value of solar for Denton Municipal Electric; and

WHEREAS, this procurement was undertaken as part of the City's governmental function; and

WHEREAS, the additional fees under the proposed Second Amendment are fair and reasonable and are consistent with, and not higher than, the recommended practices and fees applicable to the Provider's profession, and such fees do not exceed the maximum provided by law; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The Second Amendment, increasing the amount of the contract between the City and NewGen Strategies and Solutions, LLC, which is on file in the office of the Purchasing Agent, in the amount of One Hundred Fifty Thousand and 0/100 (\$150,000.00) Dollars, is hereby approved, and the expenditure of funds therefor is hereby authorized in accordance with said amendment which shall be effective upon the execution of the amendment attached hereto. The total contract amount increases to \$326,000.00.

SECTION 2. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by \_\_\_\_\_ and seconded by \_\_\_\_\_. The ordinance was passed and approved by the following vote [\_\_\_\_ - \_\_\_\_]:

	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Absent</b>
Mayor Gerard Hudspeth:	_____	_____	_____	_____
Vicki Byrd, District 1:	_____	_____	_____	_____
Brian Beck, District 2:	_____	_____	_____	_____
Paul Meltzer, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
Brandon Chase McGee, At Large Place 5:	_____	_____	_____	_____
Chris Watts, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the \_\_\_\_\_ day of \_\_\_\_\_, 2023.


\_\_\_\_\_  
GERARD HUDSPETH, MAYOR

ATTEST:  
JESUS SALAZAR, CITY SECRETARY

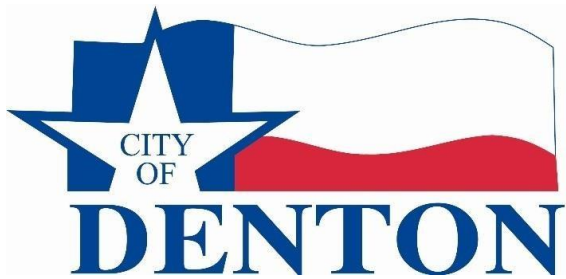
BY: \_\_\_\_\_

APPROVED AS TO LEGAL FORM:  
MACK REINWAND, CITY ATTORNEY

BY: \_\_\_\_\_



Digitally signed by Marcella Lunn  
DN: dc=com, dc=cityofdenton,  
dc=codad, ou=Department Users  
and Groups, ou=General  
Government, ou=Legal,  
cn=Marcella Lunn,  
email=Marcella.Lunn@cityofdent  
on.com  
Date: 2023.10.27 09:39:00 -05'00'



Docusign City Council Transmittal Coversheet

PSA	7628
File Name	Cost of Study, Amendment 2
Purchasing Contact	Christa Christian
City Council Target Date	
Piggy Back Option	Not Applicable
Contract Expiration	
Ordinance	

**SECOND AMENDMENT TO CONTRACT  
BY AND BETWEEN THE CITY OF DENTON, TEXAS  
AND NEWGEN STRATEGIES AND SOLUTIONS, LLC.  
PSA 7628**

THE STATE OF TEXAS                   §

COUNTY OF DENTON                   §

THIS SECOND AMENDMENT TO CONTRACT 7628 (“Amendment”) by and between the City of Denton, Texas (“City”) and **NEWGEN STRATEGIES AND SOLUTIONS, LLC.** (“Consultant”); to that certain contract executed on May 4, 2021, in the original not-to-exceed amount of \$169,500 (the “Original Agreement”); amended on April 17, 2023, in the additional amount of \$6,500 aggregating a not-to-exceed amount of \$176,000 (the “First Amendment”); (collectively, the Original Agreement and the First Amendment are the “Agreement”) for services related to **Cost of Study Services.**

WHEREAS the City deems it necessary to further expand the services provided by Consultant to the City pursuant to the terms of the Agreement, and to provide an additional not-to-exceed amount \$150,000 with this Amendment for an aggregate not-to-exceed amount of \$326,000 and

FURTHERMORE, the City deems it necessary to further expand the goods/services provided by Consultant to the City;

NOW THEREFORE, the City and Consultant (hereafter collectively referred to as the “Parties”), in consideration of their mutual promises and covenants, as well as for other good and valuable considerations, do hereby AGREE to the following Amendment, which amends the following terms and conditions of the said Agreement, to wit:

1. The additional services described in Exhibit “A” of this Amendment, attached hereto and incorporated herein for all purposes, for professional services related to the **refresh Electric Cost if service study and expand the study to include the Value of Solar** are hereby authorized to be performed by Consultant. For and in consideration of the additional services to be performed by Consultant, the City agrees to pay, based on the cost estimate detail attached as Exhibit “A” to this Amendment, a total fee, including reimbursement for non-labor expenses an amount not to exceed \$150,000.
2. This Amendment modifies the Agreement amount to provide an additional \$150,000 for the additional services with a revised aggregate not to exceed total of \$326,000.

The Parties hereto agree, that except as specifically provided for by this Amendment, that all of the terms, covenants, conditions, agreements, rights, responsibilities, and obligations of the Parties, set forth in the Agreement remain in full force and effect.

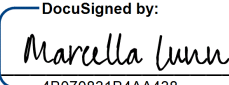
IN WITNESS WHEREOF, the City and the Consultant, have each executed this Amendment electronically, by and through their respective duly authorized representatives and officers on this date \_\_\_\_\_.

“Consultant”

**NEWGEN STRATEGIES AND  
SOLUTIONS, LLC**

By:  DocuSigned by:  
Scott Burnham 87F5FC862DA6432... Director  
AUTHORIZED SIGNATURE, TITLE

APPROVED AS TO LEGAL FORM:  
MACK REINWAND,  
CITY ATTORNEY

By:  DocuSigned by:  
Marcella Lunn 4B070831B4AA438...  
\_\_\_\_\_

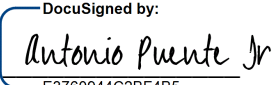
“CITY”

CITY OF DENTON, TEXAS  
A Texas Municipal Corporation

By: \_\_\_\_\_  
SARA HENSLEY, CITY MANAGER

ATTEST:  
JESUS SALAZAR,  
CITY SECRETARY  
By: \_\_\_\_\_

THIS AGREEMENT HAS BEEN  
BOTH REVIEWED AND APPROVED  
as to financial and operational  
obligations and business terms.

 DocuSigned by:  
Antonio Puente Jr E3760944C2BE4B5...  
SIGNATURE PRINTED NAME

\_\_\_\_\_ DME General Manager  
TITLE  
\_\_\_\_\_ Electric  
DEPARTMENT



## Exhibit A

225 Union Boulevard  
Suite 450  
Lakewood, CO 80228  
Phone: (720) 924-7134  
Fax: (720) 633-9535

September 21, 2023  
via email

Bill Shepherd  
Executive Manager of Business Services  
Denton Municipal Electric  
601 E. Hickory St.  
Denton, TX 76205

**Subject: Denton Municipal Electric  
2024 Rate Study Update Proposal**

Dear Mr. Shepherd:

Thank you for inviting NewGen Strategies and Solutions, LLC (NewGen) to propose consulting services related to updating the rate study in 2024 (Study) for Denton Municipal Electric (DME). As you are aware, NewGen is a consulting firm that specializes in utility rates, engineering economics, financial accounting, and business strategy for electric, natural gas, water, wastewater, and solid waste utilities.

The following letter conveys our proposed scope of services, NewGen's project team, and the cost estimate, which have been developed for DME based on our recent discussions with you and DME management.

### Project Approach

NewGen proposes to complete and support the Study in eleven tasks with the option for one additional task.

- Task 1: Data Request and Review
- Task 2: Kickoff Meeting
- Task 3: Financial Planning Model Update
- Task 4: Cost of Service Model Results
- Task 5: Rate Design Model Update
- Task 6: Billing Impacts and Customer Usage Analysis
- Task 7: Prepare Preliminary and Final Reports
- Task 8: Present Findings to DME and City Council
- Task 9: Pole Attachment Model Development
- Task 10: In Ground Conduit Model Development
- Task 11: Miscellaneous Services Charge Model Development
- Optional Task 12: AMI TOU Rate Design Model

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### **Task 1: Data Request and Review**

Upon receiving the notice to proceed, NewGen will deliver a Data Request to gather the data and information required to perform the Study. As data is submitted, NewGen will review the DME data and identify any potential gaps in information or additional data required to conduct our analyses.

The data request will include important information required in developing and updating the long-term financial planning model, customer usage analysis, and rate design model. This data request will include utility cost accounting data, system operating statistics, customer usage characteristics, customer billing data, advanced metering infrastructure (AMI) data, and other important information as needed.

Once NewGen receives and reviews the requested data, we may follow up with additional requests and questions so that we may better understand the information provided. This task assumes that the data provided by DME is accurate and consistent. Inaccuracies or inconsistencies in the accounting data may result in additional expenses and time required that have not been included in the cost estimates below.

#### **Deliverables**

- Data request

### **Task 2: Kickoff Meeting**

NewGen will lead a virtual Kickoff Meeting with DME to discuss project logistics (e.g., milestones, schedule, communications). The Kickoff Meeting will also include a discussion about the future of rates, pricing, and financial planning. We will discuss DME's current situation and existing policies, and will consider new policies. The outcome of the meeting will provide goals for the Study and direction for rate design.

#### **Deliverables**

- Kickoff Meeting

### **Task 3: Financial Planning Model Update**

In 2022, NewGen developed a Microsoft Excel-based (Excel) electric utility financial model for DME. The model forecasts potential rate, debt, and capital impacts. The model contains a dashboard that shows the projected revenue, expense, debt, and other results graphically. The model is based on Federal Energy Regulatory Commission's (FERC) accounting system. The financial model forecasts revenues and expenses for a study period of 10 years to evaluate potential rate, debt, and capital impacts. Revenues are forecasted using base rates, the Energy Cost Adjustment (ECA), and the Renewable Cost Adjustment (RCA) independently. Forecasting base rates and related cost recovery factors' revenue improves rate analysis and evaluation by allowing a better understanding of those costs that are fully controlled by DME and those that are not (e.g., purchased power). Currently, the model uses 2023 as a base year; NewGen will work with DME to update this model to use 2024 as the base year.

One of the benefits of the financial model is scenario analysis to support DME decision making. The financial model includes the ability to evaluate the impacts of base rate changes, debt issuances, changes to capital programs, and significant budgetary changes. Scenario analysis provides DME flexibility in determining the appropriate mix of rate changes, capital projects, and debt issuances to meet budgetary or capital constraints. The total company cash requirements will be based on financial and operating

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objectives defined by the utility, including financial and key ratio objectives. This task will project cash reserves at existing rates for each year of the Study Period for comparison with DME's cash reserve goals.

During the modeling process, designated DME staff will be included in periodic progress updates and will provide feedback on draft versions of the model. The results of the financial model will be presented to DME for feedback and eventual endorsement. The cost estimate for this task assumes that the NewGen team will facilitate a webinar with DME.

The final financial planning model will provide the revenue requirement for the Cost of Service (COS) in Task 4. Estimated revenue requirements will include production expenses, transmission expenses, distribution system costs, customer expenses, administrative and general expenses, investment income (as a credit), an allowance for capital improvements and additions, and other pertinent expenses.

### **Deliverables**

- Financial forecast model
- Webinar to discuss financial forecast model results

### **Task 4: Cost of Service Model Results**

In 2022, NewGen developed an Excel-based cost of service model for DME. Utilizing the updated financial forecast from Task 3, the COS will be updated to reflect a new test year revenue requirement. This task will include updating the AMI data, billing determinants, lighting information, and any other allocation data that has changed since the last COS update. The updated COS will assume that the classes used in the last study have not changed (class energy and demand thresholds that define the commercial classes).

### **Deliverables**

- COS Model
- Webinar to discuss the cost of service model results

### **Task 5: Rate Design Model Update**

In 2022, NewGen developed an Excel-based rate design model for DME. Using the tariff rates (base rates, ECA, RCA) and test year billing determinants, the rate design model calculates the revenues under current rates and under any proposed rates. The rate design model allows NewGen and DME to adjust rates to increase or decrease revenues, improve fixed cost recovery, and make any rate structure changes. The rates will be designed to recover the revenue requirement determined in Task 3.

NewGen recommends a conference call with DME staff to review the overall results of the Study and to jointly reconfirm or modify Study goals. NewGen and DME staff will discuss the Study results to date, including:

- Updated billing database
- Proposed rates for years 2025 and 2026
- Fixed cost recovery improvement
- Rate simplification:
  - Remove the seasonal summer rates and slowly phase out the declining winter block rates



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### **Deliverables**

- Rate Design model
- Webinar to discuss the rate design model rates, revenues, and results

### **Task 6: Billing Impacts and Customer Usage Analysis**

The rate design model also calculates billing impacts for each customer in each class for a period of 12 months. The average bills and average customer rate impacts are calculated compared to existing rates.

Using the rate design model, NewGen will conduct a customer usage analysis. To conduct the analysis, NewGen will request from DME a complete database of its customer bills for a minimum 12-month historical period in electronic format. With this information, NewGen will be able to model the DME billing system in a database. The database will allow NewGen to analyze customer usage characteristics, duplicate customer bills, and model any rate differentials between the existing and proposed rates. This analysis is particularly important if significant changes to rate structure or rate design are anticipated.

Currently, the model uses the 2021 billing database for billing impacts; NewGen will update this model to use the 2023 billing database for billing impacts and usage analysis. Using the database, NewGen will provide DME with complete and comprehensive statistical information related to rate impacts on the customers from implementing these rates. NewGen will sort and identify those customers with the greatest rate impacts so that DME may contact these customers directly prior to rate implementation, if desired.

This task will also include a review of DME's customers' billing determinants. Since billing determinants multiplied by rates equal class rate revenues, customer and class billing determinant information is critical in the rate design phase of the Study. NewGen will duplicate DME billing under current rates. This task ensures that the expected results match actual results. In many cases, NewGen has found billing discrepancies within the current billing system that require correction. This effort provides an "audit" of the existing billing system's treatment and interpretation of customer usage compared to rates.

### **Deliverables**

- Rate Design Model with billing impacts

### **Task 7: Prepare Preliminary and Final Reports**

Upon completion of Tasks 1 through 6, NewGen will prepare a written report describing the analyses undertaken in the Study and the results of the analyses. NewGen will present this preliminary report to DME for review and comment.

The report will include:

- Revenue Requirement
- Proposed rates for each customer class
- Bill comparison between existing and proposed rates for all customers in each rate class
- Projected operating results and cash reserves at proposed rates
- Recommendations for needed changes to DME's rates to improve its financial stability

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Based on comments received from DME staff, NewGen will finalize the report and submit an electronic copy to DME.

### **Deliverables**

- Draft Report
- Final Report
- Webinar to discuss the reports

### **Task 8: Presentation of Study Results**

NewGen will develop a PowerPoint presentation of the Study results for DME and for use at stakeholder meetings and with the Public Utilities Board and the City Council. NewGen will provide a draft presentation for feedback from DME and will integrate feedback in the final presentation to use with stakeholders. NewGen has included one trip to Denton to present the findings and recommendations of the Study in our budget estimate.

### **Deliverables**

- Presentation

### **Task 9: Wireline and Wireless Pole Attachment Model**

Texas is regulated by the Federal Communications Commission (FCC); thus DME must adhere to the Pole Attachment Act, 47 U.S.C. § 224. Section 224 was amended by the Telecommunications Act of 1996 and by several modifications approved by the FCC since 1996. Congress authorized the FCC to regulate rates, terms, and conditions for pole attachments, ducts, and conduits under Section 224. Per the FCC, the term “pole attachment” means any attachment by a cable television system or provider of telecommunications service to a pole, duct, conduit, or right-of-way owned or controlled by a utility. NewGen will review DME’s current pole attachment Wireless Node Attachment rates charged and determine if any changes should be made to better align with the FCC pole attachment formula.

### **Deliverables**

- Pole Attachment model

### **Task 10: In Ground Conduit Attachment**

NewGen proposes to estimate the value of DME’s existing conduit based on the value of the conduit determined from the FCC’s attachment rate formula for conduit. The value will be expressed per linear foot of conduit or duct in the conduit.

The FCC attachment rate formula calculates the rate for conduit attachments as follows:

$$\text{Conduit Rate} = \% \text{ of Conduit Capacity} \times \text{Net Linear Cost of a Conduit} \times \text{Carrying Charge Rate}$$

The conduit capacity factor considers the percentage of total duct capacity occupied by an attachment. The net linear cost of a conduit is equal to the conduit investment (net of accumulated depreciation) divided by the total system duct length, i.e., net investment per linear foot of conduit. The annual carrying charge rate includes the following cost elements: administration, maintenance, depreciation, applicable taxes and fees, and rate of return (cost of capital).

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NewGen will develop the annual conduit attachment rate on a per linear foot basis using financial and operating system data provided by DME.

### **Deliverables**

- Conduit Rate Model

### **Task 11: Miscellaneous Service Charges**

In 2022 NewGen developed a Miscellaneous Fees Model to estimate DME's costs associated with new customer applications, new service charges, meter reconnect charges, meter charges, and penalties. NewGen will add the Banner Install Fee and the Electric Vehicle Charging Rate to this model.

The City of Denton utilizes DME to install multi-purpose banners due to DME's access to bucket trucks. Discussion with DME staff will be conducted to determine costs to install/remove banners and a reasonable charge to recover these costs.

DME currently provides Electric Vehicle (EV) charging in the City of Denton through ChargePoint level 2 charging stations. ChargePoint is an EV service providing charging stations, billing collection, and maintenance. NewGen will evaluate the current costs of maintaining the chargers as well as cost of electricity through the COS analysis to determine if the current EV rate is recovering applicable charges.

### **Deliverables**

- Miscellaneous service charges model

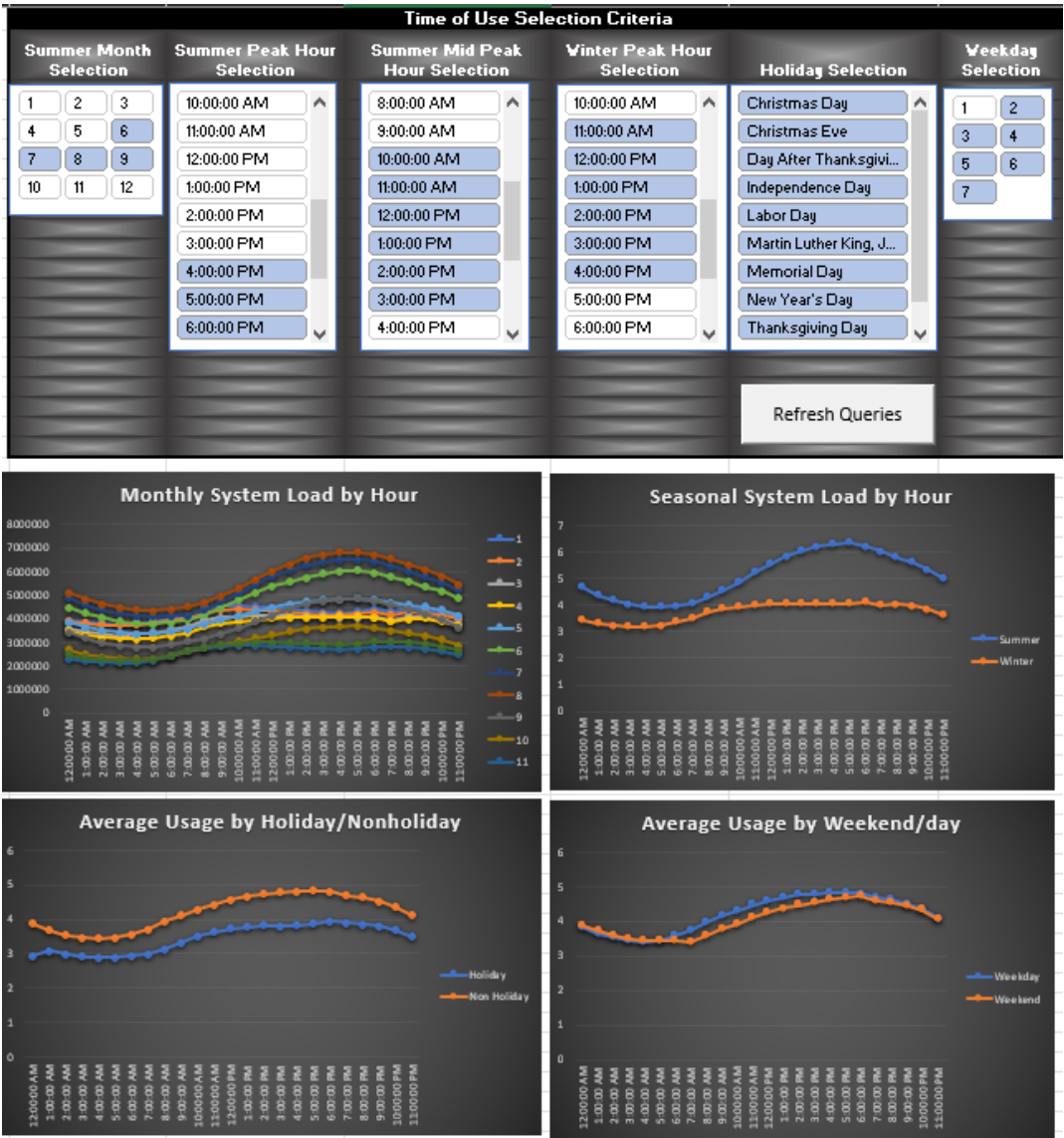
### **Optional Task 12: AMI TOU Rate Design Model**

To properly develop time of use (TOU) rates, AMI data in the targeted customer class should be used to accurately design rates and evaluate impacts. NewGen proposes an optional task to develop an AMI Rate Design Model for DME. The model will provide for a more robust AMI-based rate design and can be used to integrate and inform resource planning. With the penetration of AMI systems increasing, utilities are further evaluating TOU and other rate options and structures to leverage this investment and improve system efficiency, manage system load profiles, offer customers choices, and reduce costs. The current and potential proliferation of EVs and distributed generation (e.g., rooftop solar) further emphasize the need to view ratemaking as a strategic tool by integrating it with resource planning.

The AMI Rate Design Model will allow for dynamic and instantaneous analysis of all elements of TOU rates including seasons, on/off peak periods, and pricing differentials. This unique model allows decision makers to immediately evaluate and compare TOU structural options such as shifting rates from demand to energy, or larger price differentials to deliver desired results. This functionality is also available to better inform the design of EV rates or evaluate the impacts of broader distributed generation penetration.

Some of the key components of this model include time-differentiated rate structure selections (i.e., TOU periods and pricing); annual and customer monthly existing load profiles; and customer class monthly billing impacts. As shown in the following figures, the model allows the user to select the months to display customer class monthly load profiles. This allows the user to identify the peak and off-peak hourly periods and visually see when and to what extent each customer class contributes to the system load peak. These graphics and the ability to select options (e.g., Jun.–Aug. versus Jun.–Sept. summer months) support the development of optimal TOU rates.

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**Deliverables**

- Optional TOU dynamic model
- Webinar to discuss the TOU rate design options

**Project Team**

The project team will consist of Jill Schuepbach, Kyle Palm, Nina Hartley, and administrative staff, as necessary. Brief summaries of each team member’s experience are included below.

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Key Personnel	Role, Experience, and Qualifications
<b>Jill Schuepbach, PE</b> Principal <b>Project Role:</b> Project Manager	<p>Ms. Schuepbach has performed numerous utility financial forecast, cost of service, and rate design projects. Her Financial Forecast tasks include developing models to balance capital spending and rate increases, support compliance with debt covenants, and assist with general short-term and long-term decision making. Her Cost of Service tasks include the development of the revenue requirement, functionalization and classification of costs, and allocation of costs to customer classes. Her Rate Design tasks include a review of existing customer class criteria, design, tariff development, and transitioning of models for the DME's future use. Her additional analysis includes the evaluation of miscellaneous charges and fees based on the utility's costs and local and state policy. She has assisted with training and workshops regarding cost of service and rate design theory, industry practice, and rate strategies to governing bodies and boards. She has also presented rate study results and provided financial recommendations to governing bodies, boards, and city councils.</p> <p>Ms. Schuepbach has performed electric, natural gas, and photovoltaic cost of service studies. Her efforts have included COS and TCOS studies with DME.</p>
<b>Kyle Palm</b> Senior Consultant <b>Project Role:</b> Lead Analyst	<p>Mr. Kyle Palm joined NewGen as a full-time analyst in May 2021. He assists on cost of service and rate design projects, emphasizing data-driven analytics. His efforts have included COS and TCOS studies with DME.</p>
<b>Nina Hartley</b> Data Scientist <b>Project Role:</b> AMI Analyst	<p>Ms. Nina Hartley joined NewGen as a full-time head data scientist in July 2022. She assists with cost of service and rate design projects, emphasizing data-driven analytics. Ms. Hartley has a B.S. in Applied Mathematics from Colorado State University.</p>

## Cost Estimate

Our services will be billed on a time and materials basis, and our current rates are shown below.

### NewGen Strategies and Solutions 2024 Billing Rates – Subject to Change

Position	Hourly Billing Rate
Partner	\$265 – \$405
Principal	\$250 – \$405
Senior Manager	\$225 – \$280
Manager	\$195 – \$225
Senior Consultant	\$170 – \$195
Consultant	\$160 – \$170
Administrative Services	\$130

Note: Billing rates are subject to change based on annual reviews and salary increases.

NewGen proposes to complete the enclosed Tasks 1 through 11 on a time and materials basis for an estimated budget of \$71,000 without the optional TOU model. Our fee estimate includes one trip to

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Denton to present the findings and recommendations of the Study at \$2,500. The Task 12 Optional TOU Model cost estimate is \$8,000. With the optional TOU model, the estimated budget is \$79,000.

Task Description	Cost Estimate
Tasks 1–8: Rate Study Update	\$46,000
Task 9: Pole Attachment	\$7,000
Task 10: In Ground Conduit Attachment	\$7,000
Task 11: Miscellaneous Service Charges	\$11,000
Subtotal	\$71,000
Optional Task 12: AMI Model	\$8,000
<b>Total for Tasks 1–12</b>	<b>\$79,000</b>

Schedule

The Study is assumed to begin in January 2024 and will continue through April 2024, a period of 4 months. We appreciate the opportunity to assist DME with this important project. If the above scope of services and proposed budget are acceptable, please sign this letter and return it to my attention. We look forward to working with you and your staff on this important assignment. Please contact me at (720) 633-9496 if you have any questions.

Sincerely,  
  
NewGen Strategies and Solutions, LLC


DocuSigned by:  
  
F3AC7043C7E34EE...

Tony Georgis  
Managing Partner, Energy Practice

DME

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

NewGen Strategies and Solutions, LLC

DocuSigned by:  
  
F3AC7043C7E34EE...  
Signature \_\_\_\_\_  
Name Tony Georgis  
Title Managing Partner, Energy Practice  
Date 9/21/2023



225 Union Boulevard  
Suite 450  
Lakewood, CO 80228  
Phone: (720) 633-9514  
Fax: (720) 633-9535

October 12, 2023  
via email

Bill Shepherd  
Executive Manager of Business Services  
Denton Municipal Electric  
601 East Hickory Steet  
Denton, TX 76205

**Subject: Denton Municipal Electric: Value of Solar Study Proposal**

Dear Mr. Shepherd:

Thank you for inviting NewGen Strategies and Solutions, LLC (NewGen) to propose consulting services related to the development of a Value of Solar (VoS) study (Study) for Denton Municipal Electric (DME). As you are aware, NewGen is a consulting firm that specializes in utility rates, engineering economics, financial accounting, and business strategy for electric, natural gas, water, wastewater, and solid waste utilities.

DME is seeking to develop a fair, equitable, and defensible VoS rate for residential and commercial customers with on-site solar generation that is situated behind their premise meter. The purpose of the VoS analysis is to develop a rate that compensates customers with solar generation using industry accepted methods.

The following letter conveys our proposed scope of services, NewGen's project team, and the cost estimate, which have been developed for DME based on our recent discussions with you and DME management.

## Scope of Services

NewGen proposes to complete and support the VoS study in six tasks:

- Task 1: Data Request and Kickoff Meeting
- Task 2: Review City of Denton's Climate Action Plan (CCAP) and Review Current DME Methodology
- Task 3: Develop Value of Solar Model
- Task 4: Benchmark Industry Solar Policy
- Task 5: Draft and Final Reports
- Task 6: Presentation of Study Results

### Task 1 – Data Request and Kickoff Meeting

Upon receiving the notice to proceed, NewGen will deliver a Data Request to gather the data and information required to perform the Study. As data is submitted, NewGen will review the DME data and identify any potential gaps in information or additional data required to conduct our analyses.

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October 12, 2023  
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After reviewing the data, NewGen will schedule a virtual Kickoff Meeting with DME. The purpose of the meeting is the following:

- Discuss the approach, work plan, and goals for the Study, including the City of Denton (City) and DME's philosophy for solar compensation and the CCAP.
- Review the current rate structure and rate policies for DME solar customers.
- Review the data available and recommend ways to address any data challenges.
- Discuss Study schedule.

### **Deliverables**

- Data Request
- Kickoff Meeting

### **Task 2 – Review the City's Climate Action Plan (CCAP) and Current DME Methodology**

NewGen will review the CCAP to understand the City's sustainability strategies and goals. NewGen will consider and incorporate these strategies and goals into the Value of Solar study. NewGen will also review the current rates and rate structure for serving solar customers and the policies supporting those rates. Our understanding is that currently DME's solar customers are given a full base rate (not including riders) credit as well as a Renewable Cost Adjustment (RCA) credit for each kilowatt-hour (kWh) generated in excess of the customers' usage.

### **Task 3 – Develop Value of Solar Model**

NewGen will develop an analysis to determine the value that solar brings to DME in the context of DME's policies and commitments to distributed solar and renewable energy in general. The VoS analysis will consider the value to DME (primarily avoided costs) as well as the potential value to the wider community. These value elements may include benefits and externalities that are difficult to quantify, such as those related to societal benefits and DME policy.

There are generally three categories of value elements that can be included, but are not required, in a VoS analysis. NewGen will investigate the following three components of VoS:

1. Avoided Costs
2. Societal Benefits
3. Public Policy Incentives (if any)

The Avoided Cost value element is strictly a calculation of estimated cost savings (i.e., cost avoidance) to DME as a result of the generation from distributed solar. Our proposed approach to determine an avoided cost rate includes estimating cost savings for avoided energy, transmission charges, and ancillary services charges. We propose to utilize a "typical" solar generation profile based on available data provided by the National Renewable Energy Laboratory (NREL). The solar generation profile will be aligned with historical hourly price data from the Energy Reliability Council of Texas (ERCOT) for energy and ancillary services. Transmission cost savings will be estimated based on the potential reductions to DME's four coincident peaks (4CP) as a result of the customers' solar generation. NewGen will work with DME to review and evaluate these cost savings approaches and make adjustments, as appropriate, based on DME's specific load, costs, and preferences.



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As an option, the Avoided Cost rate may be developed with consideration given to customers that have on-site battery storage. To accommodate those customers with battery storage, NewGen proposes an Avoided Cost using a time-of-use or time-based approach. This approach requires an hourly rate design model utilizing DME's advanced metering infrastructure (AMI) data. This task is offered as optional and is priced separately below.

The Societal Benefits value element can include quantifying the reduced emissions from fossil fueled generation as a result of distributed solar generation. One method with which we are familiar is to estimate the value of the reduced emissions using data from the Energy Information Administration (EIA). The EIA provides national estimates of costs associated with carbon, methane, and nitrous oxide emissions. We understand that DME has procured renewable resources to meet 100% of its load; therefore, emission reductions would be estimated from ERCOT in general. NewGen will discuss its approach to estimated Societal Benefits with DME and make adjustments, as necessary, based on DME's specific policies and preferences.

The Public Policy Incentive value element may include quantifying DME's goals for distributed renewable energy adoption and incentives for renewable energy codified in its policy and/or public commitments. The Public Policy Incentive value element may result in increasing the overall VoS rate, depending on the specifics of the City and DME's policy objectives. NewGen proposes to work with DME to review its current policies as they relate to distributed generation and renewable resources to estimate this value element. Additionally, NewGen will consider any potential changes to DME's policies that may directly or indirectly impact this value element.

The VoS analysis will also consider the other utility distributed generation rate structures, programs, and policies observed in Texas as well as in other jurisdictions (e.g., buy-all/sell-all, installed capacity charges, net metering, feed-in tariffs, etc.). We will include a review of these other approaches to determine if they are applicable to DME's specific situation. For example, our recommended VoS rate structure and program will consider DME's current metering and billing capabilities.

### **Deliverables**

- Value of Solar Model
- Discussions with DME management and staff to review approaches to value

### **Task 4 – Benchmark Industry Solar Policy**

Recently, several states and municipal electric utilities have initiated reform efforts for their solar rates and associated customer-sited solar systems. Specifically, NewGen will review six to eight Texas utilities and provide a summary on how they address their distributed generation customers via rates, rate structure, billing, and metering. We will work with DME to determine the utilities included in the benchmark analysis. We will review and summarize these efforts to ensure that any VoS rate DME pursues is informed by current industry practices.

### **Deliverables**

- Benchmarking Analysis

### **Task 5 – Draft and Final Reports**

Upon completion of Tasks 1 through 4, NewGen will prepare a draft report that will describe the process, assumptions, and policies included in this VoS Study. The report will also include benchmarking with the

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industry. NewGen will submit the draft report electronically to DME for review and comment. The draft report will be reviewed with DME and NewGen will incorporate edits, comments, and changes, as appropriate, into the final report suitable for public dissemination.

### **Deliverables**

- Draft Report
- Final Report

### **Task 6 – Presentation of Study Results**

NewGen will develop a PowerPoint presentation of the Study results for DME and for use at stakeholder meetings and with the Sustainable Framework Advisory Committee, Public Utilities Board, and City Council. NewGen will provide a draft presentation for feedback from DME and integrate feedback into the final presentation to use with stakeholders. NewGen has included two trips to present the findings and recommendations of the Study in our budget estimate.

### **Deliverables**

- Presentation of Study results to the Sustainable Framework Advisory Committee, Public Utilities Board, and/or City Council

### **Project Team**

The project team will consist of Jill Schuepbach (Project Manager), Grant Rabon (Advisor), Scott Burnham (Advisor), Kyle Palm (Lead Analyst), and administrative staff, as necessary. Resumes are available upon request.

### **Cost Estimate**

NewGen proposes to conduct the Kickoff Meeting via a virtual platform (e.g., Microsoft Teams or Zoom), unless otherwise requested by DME. Our fee estimate includes two trips to present the findings and recommendations of the Study at \$2,500 per trip. Per DME's request, we can invoice DME for actual services performed under the current Purchase Order No. 196462 dated April 2021. Our services will be billed on a time and materials basis, and our current rates are shown below.

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**NewGen Strategies and Solutions  
 2024 Billing Rates – Subject to Change**

<b>Position</b>	<b>Hourly Billing Rate</b>
Partner	\$265 – \$405
Principal	\$250 – \$405
Senior Manager	\$225 – \$280
Manager	\$195 – \$225
Senior Consultant	\$170 – \$195
Consultant	\$160 – \$170
Administrative Services	\$130

Note: Billing rates are subject to change based on annual reviews and salary increases.

NewGen proposes to complete the VoS Study as defined in the enclosed scope of services on a time and materials basis for an estimated budget of \$30,000 without the optional TOU modeling. The Task 3 Optional TOU Modeling cost estimate is \$10,000. With the optional TOU modeling, the estimated budget is \$40,000.

<b>Task Description</b>	<b>Cost Estimate</b>
Tasks 1–6 without Optional TOU Modeling	\$30,000
Optional Task 3: TOU Modeling	\$10,000
<b>Total for Tasks 1–6</b>	<b>\$40,000</b>

## Schedule

This project will begin immediately upon receipt of authorization. NewGen anticipates completion of the Study within a two to four month timeframe.

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We appreciate the opportunity to assist DME with this important project. If the above scope of services and proposed budget are acceptable, please sign this letter and return it to my attention.

We look forward to working with you and your staff on this important assignment. Please contact me at (720) 924-7134 if you have any questions.


Sincerely,  
  
**NewGen Strategies and Solutions, LLC**

DocuSigned by:  
  
654E055C66394D8...  
Jill Schuepbach  
Principal

**DME**

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**NewGen Strategies and Solutions, LLC**

DocuSigned by:  
  
D098F2F270484C0...  
Signature \_\_\_\_\_  
Name **Grant Rabon** \_\_\_\_\_  
Title **Partner** \_\_\_\_\_  
Date **10/12/2023** \_\_\_\_\_

**Certificate Of Completion**

Envelope Id: 8EF1E9FFD286492CAE2C8679EDAD5178

Status: Sent

Subject: Please DocuSign: City Council Contract 7628 - Cost of Study Amendment 2

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Christa Christian

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Lori Hewell



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lori.hewell@cityofdenton.com

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Purchasing Manager

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City of Denton

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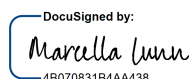
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Marcella Lunn



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marcella.lunn@cityofdenton.com

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Mack Reinwand City Attorney

Signed: 10/20/2023 3:29:55 PM

City of Denton

Signature Adoption: Pre-selected Style

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**Electronic Record and Signature Disclosure:**

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Scott Burnham



Sent: 10/20/2023 3:29:58 PM

sburnham@newgenstrategies.net

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Director

Signed: 10/20/2023 3:30:36 PM

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**Electronic Record and Signature Disclosure:**

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Cheyenne Defee  
cheyenne.defee@cityofdenton.com  
Procurement Administration Supervisor  
City of Denton  
Security Level: Email, Account Authentication (None)

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**Electronic Record and Signature Disclosure:**  
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Sara Hensley  
sara.hensley@cityofdenton.com  
Security Level: Email, Account Authentication (None)

**Electronic Record and Signature Disclosure:**  
Not Offered via DocuSign

Jesus Salazar  
jesus.salazar@cityofdenton.com  
Security Level: Email, Account Authentication (None)

**Electronic Record and Signature Disclosure:**  
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Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp

Cheyenne Defee  
cheyenne.defee@cityofdenton.com  
Procurement Administration Supervisor  
City of Denton  
Security Level: Email, Account Authentication (None)

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Carbon Copy Events	Status	Timestamp
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Envelope Updated	Security Checked	10/17/2023 3:02:04 PM
Payment Events	Status	Timestamps
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Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"><li>•Allow per session cookies</li><li>•Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection</li></ul>

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