



275 W Campbell Road.
Suite 440
Richardson, TX 75080
Phone: (972) 680-2000

February 20, 2026

Ms. Cynthia Northrop, MPA, CPM
City Manager
City of Breckenridge
105 N. Rose
Breckenridge, TX 76424

Re: FY 2026 Water and Wastewater Rate Study

Dear Ms. Northrop:

It is our understanding that the City of Breckenridge (City) desires to enter into an agreement with NewGen Strategies & Solutions, LLC (NewGen) to assist the City with a water and wastewater rate study for Fiscal Year (FY) 2026 with rate projections through FY 2031. The goal will be to provide an assessment of utility financial performance to date and provide any modifications to future rates that may be needed to meet City utility objectives. We are pleased to have the opportunity to work with you and to continue our on-going relationship with the City.

Project Methodology

When undertaking a cost of service, rate, or fee study for a municipal utility (enterprise fund), it is important that the participants in the study have a shared vision of the objectives that must be reflected in the study. Our approach to reviewing and evaluating municipal utility rates is governed by the view that the ideal rate structure must satisfy seven (7) criteria:

- **Legal and Regulatory Compliance** is a prime consideration because rate structures must incorporate applicable local, state, and federal statutes.
- **Equity** requires that rates and charges result in no undue discrimination among customers.
- **Efficiency** refers to the ability of the rate schedule to encourage wise use of the resources.
- **Revenue Adequacy** recognizes that rates and fees are cost driven.
- **Affordability** means the recommended rates must result in bills that are realistically within the ability of customers to pay.
- **Sustainability** means the objective of the rate methodology is to keep rates low over time, not to merely keep them low for the short-term by omitting or deferring needed expenses.
- **Administrative Simplicity** recognizes that limits must be placed on the number of customer classes, complexity of the rate schedule, and frequency of billing.

Rate structures must be tailored to community perceptions, realities, and values if the project is to proceed smoothly and timely.

Ms. Cynthia Northrop
February 20, 2026
Page 2

Scope of Services/Workplan

In an effort to be concise, a brief overview of the work to be accomplished during each of the tasks is provided below. If desired, NewGen will be glad to provide a more detailed listing for each task. NewGen proposes conducting this analysis in a timely and efficient manner, with the work laid out in the following phases:

- **Phase 1 – Determine Water and Wastewater Revenue Requirements**
- **Phase 2 – Design Water and Wastewater Rates**
- **Phase 3 – Report and Presentation**

A brief overview of the work to be accomplished during each of the phases is provided below.

Phase 1 – Determine Water and Wastewater Revenue Requirements

In this phase, NewGen will gather the necessary data required to determine the cost of providing utility services to the City's retail customers. Data to be collected will include the City's budgets, audited financial statements, contracts, capital improvement plan, loan documents, water pumpage and usage records, etc. NewGen will plan a virtual meeting with the appropriate City staff in order to ensure our understanding of the goals for the Study, review the data provided, review relevant system history, and answer questions from City staff.

Once the necessary data has been collected, NewGen will review the historical and projected trends with regard to operations and maintenance (O&M) costs, debt service, capital improvements, usage, etc. NewGen will adjust expenditures, as necessary (normalize, annualize, etc.), in order to develop an annual revenue requirement that is representative of the utility's financial needs. Upon completion of this phase, we will have developed a five (5)-year revenue requirement forecast for the utilities, which will reflect the revenue necessary from rates to ensure the financial sustainability of the City.

The developed revenue requirements will include all O&M expenses, funding for capital programs, debt service and related requirements, financial reserve requirements, and other costs (as appropriate). The funding for capital programs will be developed based on the City's CIP and desired funding plans to keep the utility in good working condition in addition to any planned major capital projects. Further, NewGen will help the City evaluate the appropriate balance of debt and cash funding for capital projects based on rate impacts.

Phase 2 – Design Water and Wastewater Rates

In Phase 2, we will develop amendments to the City's rate structure that will recover the revenue requirement, as defined in Phase 1. In many cases it is the rate structure that will determine whether or not a new set of rates will be accepted by the utility's customers. NewGen's familiarity with the regulatory environment in Texas will ensure that all rate design issues are fully vetted.

As scoped in this proposal, NewGen will complete a review of up to three (3) alternative rate scenarios. A clear and distinct understanding of the City's overall goals, and contractual commitments, will serve as a basis for the development of the proposed rates. All rate design options will be discussed with City staff to ensure the ultimate recommendations are appropriate and accomplish the City's goals.

Ms. Cynthia Northrop
February 20, 2026
Page 3

Phase 3 – Summary Report and Presentation

Upon completion of Phase 2, NewGen will issue a draft letter report that summarizes our financial analysis, methodology, and rate recommendations. A conference call will be held with the City to discuss any staff recommended changes to the draft report, with a final letter report issued within one week of receiving the final comments from City staff. A presentation of the Study findings will also be made by Mr. Erik Felthous to the City Council, including a PowerPoint presentation summarizing our recommendations.

In an effort to keep costs in this proposal to a minimum, this proposed scope and fee only includes one (1) in-person meeting with City Council. NewGen will participate in additional meetings, if desired, at the written request of City staff.

Project Team

NewGen evaluates the needs of each project and responds by assembling a Project Team of knowledgeable professionals who are uniquely qualified to provide the services needed. This Project Team assembled for this engagement includes widely recognized experts in utility cost of service and rate-making that possess a unique knowledge of regulatory requirements and industry trends, as well as best practices to develop utility rates which balance the goals and objectives of the City and its customers. The study will be conducted in compliance with Industry standards and defensible with the State of Texas regulatory authorities.

Erik Felthous, Senior Manager

Project Role: Project Manager | **Location:** Dallas, TX | **Phone:** (972) 704-1655 | **Email:** efelthous@newgenstrategies.net



Mr. Erik Felthous joined NewGen as a Senior Manager in 2023 with over 18 years of public finance experience. Prior to joining NewGen, he was employed at North Texas Municipal Water District (NTMWD). During his tenure with NTMWD, he worked with their Financial Advisor and rating agencies to upgrade credit ratings, applied numerous methods of budget allocations, revised procedures, and created cost projections to comply with contract amendments in numerous systems, and prepared the annual budgets. He also worked closely with NewGen on numerous studies, including multiple cost allocation studies and assistance with many strategic cost projections. Since joining NewGen, Mr. Felthous has provided support for various types of projects including utility rate design, cost of service, cost allocation, revenue sufficiency, and several other rate making matters. These projects have been in water, wastewater, solid waste, and electric utilities.

Ms. Cynthia Northrop
February 20, 2026
Page 2

Chris Ekrut, Chief Executive Officer

Project Role: QA/QC Advisor | **Location:** Dallas, TX | **Phone:** (972) 232-2234 | **Email:** cekrut@newgenstrategies.net



Mr. Chris Ekrut is a founding Partner and the Chief Executive Officer for NewGen. Mr. Ekrut has been providing consulting services since 2004, with the majority of his client-related projects focused on pricing services and developing rates and fees for utility systems, as well as supporting clients before regulatory agencies. Mr. Ekrut is a recognized expert witness, having filed testimony regarding COS and rate design and providing litigation support and regulatory filing assistance before rate regulatory agencies. He has conducted numerous wholesale and retail water and wastewater rate studies, developed utility rate and fee models, and assisted in negotiations and litigation involving several wholesale service contracts. He also serves on the Faculty of the National Association of Regulatory Commissioner's (NARUC) Rate School and is accredited as a Certified Rate of Return Analyst by the Society of Utility and Regulatory Financial Analysts (SURFA).

Nick Alhallak, Consultant

Project Role: Analyst | **Location:** Dallas, TX | **Phone:** (945) 294-7822 | **Email:** nalhallak@newgenstrategies.net



Mr. Nick Alhallak joined NewGen as a Consultant in January of 2026. He assists on rate design projects and cost of service studies, emphasizing data-driven analytics and applying his financial analysis skills. Mr. Alhallak's experience includes financial modeling, rate calculation, and utility billing analysis.

Schedule, Rate, and Fees

The estimated start date of this project will be in February 2026, with a scheduled conclusion in July 2026 for the City's budget process. NewGen can adjust the expected dates and the number of meetings if needed to accommodate the City's schedule. As services are requested and performed, NewGen will invoice the City on a monthly basis for the portion of the project completed as of the date of its monthly invoice.

The fixed fee pricing, including any out-of-pocket expenses, for our scope in Phases I-III is \$35,000. This pricing reflects one (1) on-site meeting and up to three (3) rate scenarios. Additional on-site meetings may be conducted at the City's direction with additional meetings at a fixed fee of \$1,750 per meeting. Extra rate scenarios may also be considered with City direction with an understanding these would be in addition to this proposed fee on a time and expense basis or fixed fee, not to exceed amount agreed upon by the City and NewGen.

Ms. Cynthia Northrop
 February 20, 2026
 Page 3

**NewGen Strategies and Solutions
 2026 Billing Rates**

Position	Hourly Billing Rate
Partner	\$305 – \$455
Principal	\$295 – \$455
Senior Manager	\$250 – \$295
Manager	\$220 – \$250
Senior Consultant	\$200 – \$220
Consultant	\$185 – \$200
Administrative Services	\$145

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

By executing this letter, you agree that the services rendered by NewGen will be performed in accordance with instructions or specifications received by the City and will be provided with the degree of skill and judgment exercised by recognized professionals performing services of a similar nature and consistent with the applicable industry’s best practices. Additionally, the City and NewGen mutually agree that during the term of this Agreement and for a period of one (1) year after any termination, the parties agree not to solicit the other entities’ employees related to this Agreement. This clause does not apply where an employee seeks employment in response to an advertisement placed into the public domain for a specific position or other general recruitment activities.

To ensure the Study can be provided within the available fiscal resources of the City, the proposed scope of services will examine the overall cash flow and sufficiency of revenues for the City but will not include a full cost of service analysis as that term is defined by the American Water Works Association (AWWA.) As part of this limitation, the Project Team will maintain any existing differentials in pricing between customers located inside versus outside the City’s municipal boundaries, if applicable. By agreeing to this engagement, the City specifically recognizes the appellate jurisdiction of the Public Utility Commission of Texas (PUCT) under Texas Water Code 13.043(b)(3). Further, the City recognizes that the scope of services as proposed may be considered insufficient to meet the City’s burden of proof as required by the PUCT should customers located outside the municipal boundaries petition the PUCT for a review of the City’s adopted rates. Should a challenge of this type be brought against the City, any services requested of NewGen’s Project Team during said appeal will be provided under a separate engagement based on time and expenses incurred.

All payments made under this engagement should be remitted to:

NewGen Strategies and Solutions, LLC
 275 W. Campbell Rd. Suite 440
 Richardson, Texas 75080

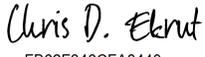
If this letter and its terms and conditions are acceptable, please execute one copy and return it to our Richardson, Texas office. If you should have any questions regarding this letter and/or require additional

Ms. Cynthia Northrop
February 20, 2026
Page 2

information, please contact Erik Felthous at (972) 704-1655 or via email at
efelthous@newgenstrategies.net.

Very truly yours,

NewGen Strategies and Solutions, LLC

Signed by:

FB62F346CFA8440...
Chris D. Ekrut
President and CEO

FY 2026 Water and Wastewater Rate Study (\$35,000)
City of Breckenridge, Texas

Signed _____ Printed _____

Title _____ Date _____