



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

May 27, 2025

Ms. JoAnna P. "Jody" Weaver, P.E.  
Interim City Manager  
City of Port Lavaca, TX  
202 N. Virginia Street  
Port Lavaca, TX 77979

**Subject: Proposal to Conduct a Water and Wastewater Rate Study**

Dear Ms. Weaver:

Based on our conversations, NewGen Strategies and Solutions, LLC (NewGen) appreciates this opportunity to propose our assistance to the City of Port Lavaca, Texas (City). It is our understanding that, at this time, the City is seeking a qualified consultant to conduct a Water and Wastewater Rate Study (Study). Our understanding is that the City's goals and objectives for this Study include, but are not necessarily limited to, the following.

- Perform a comprehensive evaluation of the ongoing performance and sustainability of the City's Water and Wastewater fund. In performing said evaluation, the Project Team will carefully consider the City's future capital funding requirements and assess the rate action needed to ensure adequate resources are available to fund ongoing operations, fund capital investment, and meet the City's contractual requirements, all while ensuring the City's target financial metrics are met.
- Prepare a five (5)-year forecast of revenue requirements (i.e., the revenue that must be generated through user rates and fees) and prepare rate scenarios for City staff and/or Council Consideration which will meet these revenue requirements.
- Assist the City Staff and City Council in developing a rate structure which will meet the City's pricing goals and objectives and assess the impact of said rate design on varying customers to which service is provided. Such goals and objectives may include, but not be limited to, the overall stability of the revenue stream, the encouragement of water conservation, the impact on economic development, and the overall affordability of service to customers.
- Prepare a benchmarking of customers charges by other comparable providers to assess the City's overall competitive position and to ensure alignment with largest industry trends, and
- Prepare and present necessary materials to the City Council and other Stakeholders to explain the analysis performed and discuss the recommended rate action necessary to meet the City's defined goals and objectives.

The remainder of this letter presents our Firm, proposed Project Team, proposed scope of services, and anticipated pricing and schedule for the proposed engagement. We appreciate the City's consideration of our proposal and stand ready to answer any questions the City staff or City Council may have.

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## Firm Background

NewGen is a management and financial consulting firm specializing in providing assistance and advice to the public sector and its utilities. NewGen provides nationally recognized expertise in utility cost of service and rate design studies, depreciation studies, appraisals, organizational and performance management studies, litigation support for legal and regulatory proceedings, utility business and financial planning, and stakeholder engagement for water, wastewater, reuse, stormwater, solid waste, electric, and natural gas utilities.

NewGen was created by consultants who are dedicated to our client’s mission and recognized as experts in our respective fields of service. Our assistance to the public sector is provided with a keen insight to navigate the uncertain market and the growing role of stakeholders, resource availability, cost of providing utility services, and economic conditions. This ensures an integrated approach to delivering our products and services. “Thoughtful Decision Making for Uncertain Times” succinctly describes our capability to provide our clients the solutions and recommendations tempered by our keen insight into the growing role of stakeholders, resource availability (including renewables), environmental concerns, cost of providing utility services, and economic conditions.

Our experience has been acquired, in part, while members worked at recognized national consulting groups such as Touche Ross & Co. (now *Deloitte Touche*), R.W. Beck, Inc. (now *SAIC and Leidos*), Economists.com (now *Willdan*), Navigant Consulting, Inc., and CH2M Hill. The Firm’s experience also includes the regional practices founded by Mr. Jack Stowe, Jr. which were Reed-Stowe & Co., Inc. and Reed Stowe & Yanke, LLC founded by Mr. Jack Stowe, Jr. and Mr. Dave Yanke. Experience was also gained July 1, 2019 when Municipal & Financial Services Group (MMSG) merged with NewGen. Additionally, NewGen professionals come from the nationally recognized engineering firms of CDM Smith, Inc., Black & Veatch, and HDR, Inc. Individuals from NewGen provide the expertise gained from more than 125 expert witness cases and filings supporting utility customers, regulatory staff, and utilities.

It is NewGen’s mission to become a trusted advisor to our clients. Many of NewGen’s current employees worked together for many years at R. W. Beck prior to joining NewGen—some for as long as 25 years. As such, we have a long, successful work history and a demonstrated ability to complete projects on time and with deliverables that withstand public, stakeholder, and regulatory scrutiny.



## Nationally Recognized Rate Expertise and Market Leading Models

NewGen’s Project Team includes nationally recognized experts in cost of service (COS) and rate making in the public utility market, along with leading edge developers and data analytics professionals. Combining our nationally recognized rate expertise with this additional expertise in data analytics allows us to create comprehensive, innovative, and easy-to-use interactive financial models and tools which are essential in producing a comprehensive analysis and ensuring our recommendations are accurate and defensible.

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Recognizing the importance of user-experience, our financial models and methodologies have been refined and enhanced to allow for easy user entry, allocation factor selections, and scenario ("what-if") evaluation. All our models and tools are also tailored specifically to each client we serve and are routinely used to facilitate presentations and demonstrations with Boards, Councils, and Commissions.

## NewGen's Core Competencies

NewGen's core business is providing financial and management advice related to water, wastewater, stormwater, street maintenance utility, and solid waste infrastructure and operations. The specialized services we offer to our clients include:

- Cost of Service/Rate Studies
- System Development Charges/Capacity Fee Studies
- Operational Reviews/Management Audits
- Comparative Analyses/Benchmarking
- Financial Feasibility Studies
- Infrastructure Management/GASB 34
- Conservation Studies

In summary, NewGen is well versed and experienced in providing management and financial advice related to every aspect of municipal utility services.

## HGACBuy Program

NewGen has been selected through a competitive procurement process by HGACBuy. This contract award allows government entities nationwide to contract our services directly, without the issuance of a request for proposal (RFP). H-GAC's Cooperative Purchasing Program, known as HGACBuy, is a nationwide procurement service that was established pursuant to Texas' "Interlocal Cooperation Act." The "Act" allows local governments and certain non-profits to use contracts appropriately established by another government entity. Use of the Program for a particular purchase by any government entity is strictly at the discretion of that entity.



## Proposed Project Team

Our proposed Project Team for this engagement specializes in the development of water and wastewater rates, with the majority of this experience specific to water and wastewater utilities in Texas. We ensure the staffing resources assigned to the project are truly committed to your project by considering overall workload of staff when determining project team members. Team members have been chosen due to their experience in performing the tasks identified in the scope, as well as their availability and capacity to complete the tasks in a timely manner.

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### Chris Ekrut, Chief Financial Officer

PROJECT ROLE: Project Manager | LOCATION: Richardson, TX | PHONE: (972) 232-2234 | EMAIL: [cekrut@newgenstrategies.net](mailto:cekrut@newgenstrategies.net)



Mr. Chris Ekrut is a founding Partner and Chief Financial 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 as an instructor for the national “Fundamentals of Water Cost of Service and Rate Design” class sponsored by EUCI and serves on the Faculty of the National Association of Regulatory Commissioner’s (NARUC) Rate School. Mr. Ekrut is also accredited as a Certified Rate of Return Analyst by the Society of Utility and Regulatory Financial Analysts (SURFA).

### Erik Felthous, Senior Manager

PROJECT ROLE: Assistant Project Manager | LOCATION: Richardson, TX | PHONE: (972) 704-1655 | EMAIL: [efelthous@newgenstrategies.net](mailto:efelthous@newgenstrategies.net)



Mr. Erik Felthous joined NewGen as a Senior Manager in November 2023 with over 18 years of public finance experience. During his tenure with NTMWD, he worked with their Financial Advisor and rating agencies to upgrade credit ratings where possible, applied numerous methods of budget allocations, revised procedures, and cost projections to comply with contract amendments in several 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.

### Megan Kirkland, Manager

PROJECT ROLE: Senior Analyst | LOCATION: Richardson, TX | PHONE: (972) 432-6218 | EMAIL: [mkirkland@newgenstrategies.net](mailto:mkirkland@newgenstrategies.net)



Ms. Megan Kirkland is a Manager with NewGen, providing financial and strategic advisory for utility clients. She leads analytical efforts for COS and rate design, indirect, and impact fee studies, including developing new and enhancing existing models. In addition, Megan assists in litigation support relative to COS and rate design proceedings before regulatory agencies. Megan holds a bachelor’s degree in Petroleum Engineering (minor in Business Administration) from Texas A&M.

### Madison Moore, Consultant

PROJECT ROLE: Analyst | LOCATION: Richardson, TX | PHONE: (972) 680-2000 | EMAIL: [mmoore@newgenstrategies.net](mailto:mmoore@newgenstrategies.net)



Ms. Madison Moore joined NewGen in September 2023 as a Consultant, providing financial analysis supporting water and wastewater COS, rate design projects. In addition, Madison assists in litigation support relative to COS and rate design proceedings before regulatory agencies. Ms. Moore graduated in 2020 with a B.S. in Civil Engineering from Purdue University and is pursuing an M.S. in Data Science from Eastern University.

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### **Caroline Swanson, Consultant**

PROJECT ROLE: Analyst | LOCATION: Richardson, TX | PHONE: (469) 501-5891 | EMAIL: [cswanson@newgenstrategies.net](mailto:cswanson@newgenstrategies.net)



Ms. Caroline Swanson joined NewGen as a full-time Consultant in February 2025. She assists on COS and rate design projects, performing data evaluations and applying her financial modeling skills. Ms. Swanson’s experience includes economic analysis and rate studies.

Full resumes for all Project Team members are available on request.

## **Proposed Work Plan**

To perform the requested Study, the Project Team proposes the following work plan. Our proposed work plan closely follows the approaches and methodologies utilized by NewGen’s Project Team members in all of their rate studies. Therefore, the City can be assured that the work plan proposed by NewGen has been tested and proven in numerous studies across the state and nation. It is understood that, if selected, the Project Team will refine, customize, and finalize the work plan with the City upon award of the project.

NewGen maintains a strong and active presence before the State of Texas’ rate regulatory authorities and is routinely requested to provide expert opinions on rate matters by legal counsels representing clients throughout the State of Texas. For NewGen to maintain its reputation and presence within the regulatory environment, our product must be of such quality to withstand intense scrutiny. The product(s) developed by NewGen for this engagement will withstand such scrutiny.

### **Task 1 – Overview**

#### *Initiation of Initial Data Request*

The Project Team will develop an initial data request that will be needed to adequately begin the review and evaluation of the City’s water and wastewater rates. This data will include, but is not limited to, operating, financial, management, policy, and ordinance data. The purpose of the initial data request is to become more familiar with the City’s operations and policies in order to maximize the effectiveness of our time with City representatives in the Project Kickoff Meeting. The Project Team will issue the initial data request within five (5) days after receiving notice to proceed with the project.

#### *Initial Data and Information Assessment*

Once the City has submitted the initially requested data, the data will be reviewed for discussion during the Project Kickoff Meeting. Throughout the course of the project, data received by the Project Team will be sampled and tested for accuracy. The sampling and testing of data is imperative in regard to the billing data used to set rates and is essential in the development of proper cost allocations and reliable revenue projections that the billing data be as accurate as possible. The Project Team will work closely with the City’s billing staff and software provider to extract the appropriate billing data. In addition, as necessary, the Project Team will conduct informal interviews with City staff during our review of the historical data to ensure that the Project Team understands the information provided.

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### *Project Kickoff Meeting*

After receiving the initially requested data, the Project Team will work with the City to schedule a virtual, Microsoft Teams-based kickoff meeting. The primary reason for the Kickoff Meeting is to allow the key Project Team consultants and participants from the City to be introduced and lay the general framework for how the Study will be conducted. This meeting will also allow for the finalization of the proposed work approach, as well as discussion and clarification of the information previously analyzed.

In addition, the Project Kickoff Meeting will allow for the Project Team to gain a better understanding of the goals and objectives, as well as the expectations the City desires to achieve from the Study. As part of the Kickoff Meeting, the Project Team members will also discuss:

- Political and customer views/opinions of current rates,
- Capital/operational demand changes anticipated over the Study’s forecasted period,
- Initial rate design pricing objectives, and
- Initial strategies for implementing/communicating possible rate changes.

### *Task 1 Deliverables:*

- Initial Request for Information
- Email recap of Project Kickoff Meeting (to include discussion of any issues discovered during initial information assessment)

## **Task 2 – Analyze Utility Fund Finances**

### *Determination of Test-Year Revenue Requirements*

Revenue requirements will be developed for the water and wastewater utilities using the American Water Works Association (AWWA) accepted cash needs approach. The cash needs approach closely follows municipal budgeting practices and incorporates a utility’s operation and maintenance costs, debt service and bond coverage requirements, cash funded capital outlays, reserve requirements, and transfers. In developing the revenue requirements, the Project Team will assess and project each utility’s cost of service by analyzing each utility’s historical costs, the current budget year, and any forecasts made for future fiscal years. The Project Team will develop a test-year cost of service for each utility. A test year is a common term in rate studies that refers to an adjusted fiscal year cost that will be used as a basis for setting rates. The test year cost of service will be adjusted by non-rate revenue sources to develop the test year revenue required from utility rates.

### *Forecast of Revenue Requirements*

Using the test year information developed, the Project Team will begin the development of a revenue requirement forecast through Fiscal Year 2029. As necessary, interviews with City staff may be conducted to gather additional data to complete this task. During this task, it is crucial to thoroughly analyze the assumptions used in projecting the revenue requirements. These assumptions may include, but may not be limited to, growth rate, inflation rates, increase in contractual obligations and contractor costs, and capital improvements. The Project Team will work closely with City staff to examine the City’s planned method of financing (e.g. cash, debt, grants) future capital improvements and the financing methods’



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impact on rates, operating and capital reserve targets, and debt coverage requirements, as well as examine anticipated operational and/or staffing changes over the forecast period.

### *Determination of Realizable Revenue at Current Rates*

The results of this task will provide the data to properly evaluate the cost of service, the magnitude of overall increases, if any, and the probability of redistribution of revenue responsibility between customer classes, as well as providing the Project Team the ability to compare the actual cost to provide utility service with the anticipated billed revenues of the utility. In the revenue determination, adjustments will be made to the historical billing data to reflect normalized weather conditions and usage. This task will also provide a “check” of the data provided by City staff.

### **Task 2 Deliverables:**

- Preliminary results of revenue sufficiency analysis
- One (1) Microsoft Teams-based Project Update and Status Meeting

### **Task 3 – Develop Rate Schedule**

#### *Development of Rate Design*

In the formulation of a rate and fee design plan, a clear and distinct understanding of the City’s overall goals and objectives, such as water conservation, should serve as the foundation for the development of options since rate and fee design enables the utility to meet its service pricing objectives and financial policies. Pricing objectives could include, but would not be limited to:

- |                            |                          |                                |
|----------------------------|--------------------------|--------------------------------|
| ▪ Cost of Service Recovery | ▪ Affordability          | ▪ Billing System Compatibility |
| ▪ Demand Side Management   | ▪ Transparency           | ▪ Water Conservation           |
| ▪ Revenue Stability        | ▪ Ease of Administration | ▪ Economic Development         |

Prior to Task 3 commencing, members of the Project Team will discuss with City staff the potential rate design alternatives that meet the City’s pricing goals and objectives. Please note that pricing for this task includes the development of alternative water and wastewater rate structures, within reason, as directed by City staff and/or the City’s Council’s defined policy objectives. Should extensive work be required on additional structural alternatives, the Project Team will discuss these structures with City staff to determine the anticipated level of effort, and potential incremental compensation, which may be needed to meet the defined goals and objectives.

### *Determination of Realizable Revenue with Alternative Rate Structures*

The Project Team will analyze and compare the revenues forecasted to be generated under alternative rate structures to the forecasted cost of service to determine the adequacy of the alternative rate structures to meet the City’s financial goals, including bond coverage requirements and operating and capital reserves. In the revenue determination, adjustments will be made to the historical billing data to reflect normalized weather conditions and usage. Also, the monthly impact on customer bills under the alternative rate structures will be examined.

### **Task 3 Deliverables:**

- Preliminary Recommendations on recommended rate adjustments and rate design

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- One (1) Microsoft Teams-Based Project Update and Status Meeting

## **Task 4 – Comparison of Water and Wastewater Rates / Reuse Rate Benchmarking**

### *Rate Comparison Review*

The Project Team will compare the City’s current and proposed water and wastewater utility rates to utility rates of municipal utilities of similar size, demographics, geographic location, and operational characteristics to provide an estimation of the City’s comparable and competitive position.

### **Task 4 Deliverables:**

- Regional comparison of water and wastewater rates

## **Task 5 – Discuss Findings and Present Final Report**

### *Draft Report Preparation*

The Project Team will develop a draft report summarizing findings, conclusions, and recommendations of the water and wastewater rate Study. The Project Team is committed to ensuring that the City thoroughly understands the recommendations in the draft report and will ensure that City staff has sufficient time to address their concerns and/or questions prior to finalizing the report.

### *Final Report Preparation and Presentation*

Upon receipt of the City staff comments, the Project Team will make appropriate changes and provide the City with the final report. After completion of the final report, the Project Team will make a presentation of its recommendations to the City Council in a work session. Following the conduct of the work session, Project Team members will also participate in a public hearing on the proposed rates and fees.

### **Task 5 Deliverables:**

- Draft Report
  - Presented within 120 days of notification of award, given the timely receipt of the required financial and operational data, the draft report of the Study will be provided for the City’s review and comment that summarizes the Project Team’s findings, conclusions, and recommendations.
- Final Report
  - The final report will be provided to the City within two (2) weeks after delivery of the draft report, given the timely receipt of the City’s comments.
- One (1) Microsoft Teams Meeting to discuss draft report.
- Public Meetings and/or presentations as follows:
  - One (1) in-person work session with the City Council to discuss the proposed rates.

## **Project Timing/Schedule**

Based on an assumed start date of mid-July 2025, the Project Team anticipates that the draft results of the Study will be available in approximately November 2025, depending upon the availability of



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information requested from the City. The Project Team understands that this schedule may be amended via discussions with the City prior to commencement of the Study.

Proposed Project Cost

NewGen proposes a not-to-exceed fee of \$45,000, inclusive of out-of-pocket expenses, to perform the services detailed in this proposal.

Assistance provided to the City will be performed at the direction of the City Council and/or City Staff. NewGen will invoice the City monthly based on the percentage completion of the project, with payment due within thirty (30) days upon receipt of invoice.

Additional fees for services not included in the above scope will be billed at our hourly rates for services rendered. NewGen’s current hourly billing rates, which will remain in effect through December 31, 2025, are as follows.

NewGen Strategies and Solutions 2025 Billing Rates	
Position	Hourly Billing Rate
Partner	\$280 – \$440
Principal	\$275 – \$440
Senior Manager	\$240 – \$295
Manager	\$200 – \$240
Senior Consultant	\$185 – \$200
Consultant	\$175 – \$185
Administrative Services	\$135

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

Terms of Engagement

This agreement is subject to cancellation by the City with thirty (30) days prior written notice provided to NewGen. In the event of cancellation, all labor and expense charges incurred by NewGen through the date of cancellation will be considered due at the time notice of cancellation is delivered, regardless of work product and/or engagement status.

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 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.

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All payments made under this engagement should be remitted to:

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

If this letter and its terms and conditions are acceptable, please execute and return one (1) copy to our Richardson, Texas office. If you should have any questions regarding this letter and/or require additional information, please contact me at (972) 232-2234 or via email at [cekrut@newgenstrategies.net](mailto:cekrut@newgenstrategies.net).

If the pricing exceeds the City's available resources, or the scope does not meet the City's stated goals and objectives, please feel free to give me a call to discuss how best to amend the proposal to properly reflect the City's desired scope of work.

Again, we greatly appreciate the City's consideration of NewGen for this important engagement, and we look forward to working with you.

Very truly yours,

**NewGen Strategies and Solutions, LLC**

Signed by:

*Chris D. Ekrut*

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Chris D. Ekrut

Chief Financial Officer

**Project Authorization**

**Water and Wastewater Rate Study (\$45,000)**

Signed \_\_\_\_\_

Printed \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_