

**SECOND AMENDMENT TO
PROFESSIONAL CONSULTANT SERVICES AGREEMENT**

**NEWGEN STRATEGIES & SOLUTIONS, LLC
(Electric Cost of Service Analysis and Rate Design)**

THIS SECOND AMENDMENT TO PROFESSIONAL CONSULTANT SERVICES AGREEMENT ("Second Amendment") is made and entered into this _____ day of _____, 2016, by and between the CITY OF RIVERSIDE, a California charter city and municipal corporation ("City"), and NEWGEN STRATEGIES & SOLUTIONS, LLC, a Colorado limited liability company authorized to do business in California ("NewGen" or "Consultant"), with respect to the following facts:

RECITALS

WHEREAS, on or about July 16, 2015, City and LEIDOS ENGINEERING, LLC ("Leidos") entered into a Professional Consultant Services Agreement for Electric Cost of Service Analysis and Rate Design ("Agreement"); and

WHEREAS, on or about June 15, 2016, City and Leidos entered into a First Amendment to Professional Consultant Services Agreement for Electric Cost of Service Analysis and Rate Design ("First Amendment") to extend the term to April 30, 2017; and

WHEREAS, concurrent with the execution of this Second Amendment, Leidos assigned all of their its rights and obligations under the Agreement to NewGen; and

WHEREAS, City is satisfied with the performance of Consultant; and

WHEREAS, City and Consultant desire to extend the term of the agreement to April 30, 2018, for Consultant to provide further Services under the Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein by this reference, City and Consultant agree as follows:

1. Section 1, "Scope of Services" is hereby amended by adding the additional services identified in Exhibit "A-2," attached hereto and incorporated herein by this reference.
2. Section 2, "Compensation/Payment" is hereby amended by adding \$85,820 for the additional services, as identified in Exhibit B-2.
3. The term of the Agreement is hereby extended to April 30, 2018.

[Signatures on Next Page]

IN WITNESS WHEREOF, City and Consultant have caused this Second Amendment to Professional Consultant Services Agreement for Electric Cost of Service Analysis and Rate Design to be duly executed on the day and year first above written.

CITY OF RIVERSIDE, a California
charter city and municipal corporation

NEWGEN STRATEGIES & SOLUTIONS,
LLC, a Colorado limited liability company
authorized to do business in California

By: _____
City Manager

By: Tony Aguirre

Tony Aguirre - Director
[Name and Title]

Attest: _____
City Clerk

By: Scott Burnham

Scott Burnham Executive
[Name and Title] Consultant

By: Susan Wilson
Assistant City Attorney

EXHIBIT "A-2"

Scope of Services



225 Union Boulevard
Suite 305
Lakewood, CO 80228
Phone: (720) 633-9514

October 4, 2016

via email: bseinturier@riversideca.gov

Mr. Brian Seinturier
Fiscal Manager
Riverside Public Utilities
3901 Orange Street
Riverside, CA 92501

Subject: Second Amendment to Electric Cost of Service and Rate Design Contract

Dear Brian:

We appreciate the opportunity to continue to support the City of Riverside with the Electric Cost of Service and Rate Design Project (Electric COS Project) for Riverside Public Utilities (RPU). With this proposed second amendment to the Electric Cost of Service and Rate Design contract, NewGen Strategies and Solutions, LLC (NewGen) will be entirely responsible for the scope of services described herein for completing the Electric COS Project.

We have developed the enclosed amendment to the Leidos Engineering, LLC (Leidos) original contract to revise and complete the Electric COS Project. The project schedule and level of effort necessary to revise the Electric COS Project will require an extension and budget increase. The proposed additions are necessary for NewGen to support RPU through completion of the Electric COS Project. The attachment to this letter provides a description of the additional services to be provided as well as the associated amendment to the project budget.

Please let me know if you have any questions regarding this letter or the Electric COS Project in general.

Sincerely,

NewGen Strategies and Solutions, LLC

A handwritten signature in blue ink, appearing to read "Scott Burnham".

Scott Burnham
Executive Consultant

A handwritten signature in blue ink, appearing to read "Tony Georgis".

Tony Georgis
Director

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Objective

Amend the Electric COS Project contract to extend the term of the agreement and increase the budget to revise and complete the project due to additional work scope and subsequent extension.

Justification

The original contract with Leidos was initiated on July 16, 2015. Due to changes in personnel, RPU has assigned this contract to NewGen to complete the Electric COS Project. During the course of the project, several factors not anticipated in the contract's original scope have arisen. These factors have caused the need to increase the level of effort and associated fee required to complete the project. Specifically, additional time and effort from NewGen is required to perform the following:

1. **Extension of the project schedule.** Extending the term of the agreement to April 30, 2018 accommodates the extension in project schedule. The requested extension will allow sufficient time to complete the scope of work outlined in this amendment.
2. **Revise the Cost of Service Model to reflect new customer usage data information, projected expenses and load forecast from RPU, revised multiple capital improvement scenarios resulting from Utility 2.0, and the revised 10-year financial proforma model. The project will also consider additional rate design alternatives.** The majority of the work effort for this second amendment will be to review and address data, analyses and calculations in the Cost of Service Model (COS Model) with revised data and information provided by various RPU sources. Specifically, during the course of the Electric COS Project, the projections for electric load have been reduced due to slower than anticipated load growth, increases in energy efficiency and increases in distributed generation on the RPU system. This reduction in load will result in necessary revisions to the revenue requirement and the projections and scenarios included in RPU's revised financial proforma model. Shifts in load between customer classes will necessitate a revision to the cost allocation process, including applicable revisions to customer class load, count (meters) and usage characteristic data.

Changes in the electric utility industry have occurred during the course of the Electric COS Project, including new rate structures to address utility concerns across the country. This amendment will include efforts to continue to review applicable industry-accepted rate mechanisms and methodologies to develop solutions specific to RPU. This will include evaluating concepts such as decoupling, regulatory rate adjustments, and others, and applying those concepts to RPU's financial scenarios to determine rate related impacts to its customers.

This effort will include revising the analysis for revenue adequacy to ensure RPU is projected to collect sufficient revenue and allow for cost recovery from the resulting rates and rate structure options under review. For example, one alternative rate option may include developing a tiered approach to a Network Access Charge, which would vary depending on the determined level of customer energy

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usage. This revised effort will also include reviewing and addressing legal issues regarding municipal electric rate design as a result of Proposition 26, in coordination with RPU internal and external legal counsel, specifically as it relates to RPU's rate strategy

The COS Model will incorporate output from RPU's revised 10-year financial proforma model, including the ability to evaluate impacts from customer elasticity (price response) and alternative capital scenarios, as appropriate. The revised COS Model will have the flexibility to analyze the impacts of various implementation dates and rate plan scenarios as a result of anticipated feedback from presentations provided to the Board and/or City Council.

3. **Meetings with RPU staff and management.** NewGen will conduct additional in-person meetings and teleconferences with the RPU Project Team as well as RPU Executive Management to accommodate and review the COS Model and Rate Design options anticipated in item #2 above. This project scope includes two (2) on-site meetings with RPU to review analysis and findings, and six (6) public meetings, including two (2) meetings each at the RPU Board, City Council, or City Council Committee.

Timeline and Budget

NewGen will meet the revised timeline and be available for RPU Board and City Council presentations through the end of the contract, April 30, 2018. The requested amended budget increase to complete this work is \$85,820, as shown in the table below.

Requested Budget Increase

Task	PM \$225/hr		Lead Analyst \$150/hr		Analyst \$140/hr		Admin \$85/hr		Expenses	Totals
	Hours	\$	Hours	\$	Hours	\$	Hours	\$		
Revise Model / Weekly Status Calls	32	\$3,600	24	\$3,600	116	\$16,240	0	\$0	\$0	\$23,440
Evaluate Rates	16	3,600			24	3,360	0	0	0	\$6,960
On-Site Meetings	48	10,800	0	0	48	6,720	0	0	4,200	\$21,720
Revised Report	24	5,400	0	0	8	1,120	24	2,040	0	\$8,560
Presentations	48	\$10,800	0	\$0	32	\$4,480	16	\$1,360	\$8,500	\$25,140
Sub/Grand Total	\$34,200		\$3,600		\$31,920		\$3,400		\$12,700	\$85,820

EXHIBIT "B-2"

Compensation/Payment

Compensation/Payment included in Exhibit "A-2"