CLEARWATER
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CITY OF CLEARWATER, FL

CLEARWATER MUNICIPALIZATION STUDY

JULY 1, 2024

Submitted by:

NewGen Strategies & Solutions

In Association with:

resourceful. naturally.
engineering and environmental consultants
BARR

Duncan & Allen LLP

NewGen Strategies & Solutions

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July 1, 2024

David Margolis, B.C.S.
City Attorney
100 S. Myrtle Ave.
Clearwater, FL 33756
david.margolis@myclearwater.com

Subject: Clearwater Municipalization Study

Dear David:

The City of Clearwater, Florida (City) is known for its white sand beaches, warm waters, and spectacular sunsets, but it is also an ethnically diverse community that has established a mission to provide quality, sustainable cost-effective municipal service. It seeks to develop a community that thrives from Bay to Beach while sustaining a healthy residential and economic environment. The City currently provides its citizens and businesses with water, wastewater, solid waste, and natural gas utility service. Its electric utility provider is Duke Energy Florida (Duke Energy), which serves the City under a Franchise Agreement that expires in December 2025. The City believes that Duke Energy's rates are unreasonably high and is seeking alternatives to extending the terms and conditions of its current Franchise Agreement.

One alternative is for the City to acquire the distribution assets of Duke Energy and form a publicly owned municipal electric utility (MEU). An MEU may be able to provide lower rates to the citizens and businesses of the City, as well as provide other financial, organizational, and operational benefits to the City. The City believes that it is prudent to evaluate an MEU that serves customers within the City and to include detailed analysis to support this evaluation. To assist the City, we have developed the enclosed proposal to provide an evaluation of the Financial Feasibility to form an MEU (Municipalization Study or Study).

NewGen Strategies and Solutions, LLC (NewGen) is a nationally recognized management and economic consulting firm that provides guidance, insight, and analysis to local governments to implement public policy goals and objectives as they relate to utility operations. The NewGen Team for this project, which includes Barr Engineering Co. (Barr) and Duncan & Allen, LLP (Duncan & Allen), is comprised of industry professionals that have served municipalities and the electric and gas utility industry throughout their careers. Our professionals working on this project have earned the trust of municipalities of all sizes and locations. We share an acute appreciation of the relationship between governing bodies, utilities, and their customers—especially the understanding of how these relationships can become tenuous in the face of economic, environmental, and political challenges.

Members of the NewGen Team have been involved with analyzing a variety of alternatives to "traditional" electric utility service, including municipalization efforts and evaluations for the City of Boulder, Colorado; the City of Chicago, Illinois; the City of Decorah, Iowa; the City of San Diego, California; and the City of Ann Arbor, Michigan (among others). Our proposal offers a balanced and prudent level of analysis based on reliable and reasonably available data to evaluate the City's renewable energy options. We believe that this scope of work is sufficient to meet the City's analytical requirements without imposing undue costs.

We will bring our combined experiences to benefit the City for this Study, which include: creation of a state-wide power supply organization; design and cost development for transmission, distribution, and

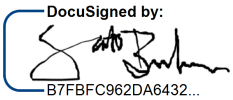
associated equipment at various levels, including planning, procurement, and ultimate design; design of retail energy rates; financial and economic feasibility of creating municipally owned electric utilities; analysis of rate impacts associated with community objectives; and knowledge and insight into electric utility governance and organizational structures.

More broadly, our daily activities include supporting public entity clients with analysis and financial insight regarding the cost structures of utility operations, the reality of electric retail rate design, and organizational development. Our clients trust us to assist them in their strategic plans by providing independent and unbiased opinions and recommendations. We will provide our collective expertise and experience to Clearwater's evaluation of creating an MEU to serve its citizens and businesses.

I will be the primary point of contact for this proposal response and the individual authorized to contractually bind the proponents of this proposal. NewGen, Barr, and Duncan & Allen have the resources to complete the Study as described herein. We look forward to working with the City on this exciting initiative. If you have questions or would like additional information, please contact me directly at (720) 259-1762 or sburnham@newgenstrategies.net.

Sincerely,

NewGen Strategies and Solutions, LLC

DocuSigned by:

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Scott Burnham
Partner

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QUALIFICATIONS

NewGen Strategies and Solutions, LLC

NewGen Strategies and Solutions, LLC (NewGen) is a management and economic consulting firm specializing in serving the utility industry and market. Established as a Limited Liability Company in August 2012, NewGen primarily serves public sector utilities and provides nationally recognized expertise in load forecasting, utility cost of service and rate design studies, financial feasibility studies, municipalization efforts, depreciation and appraisal studies, litigation support for state and federal regulatory proceedings, utility financial planning, and stakeholder engagement for electric, water, wastewater, solid waste, and natural gas utilities.

NewGen was created by consultants who are dedicated to our clients' missions and recognized as experts in our respective fields of service. ***"Thoughtful Decision Making for Uncertain Times"*** succinctly describes our capability to provide our clients solutions and recommendations tempered with our keen insight into the growing role of stakeholders, resource availability (including renewables), community concerns, cost of providing utility services, and economic conditions. This ensures an integrated approach to delivering our products and services.

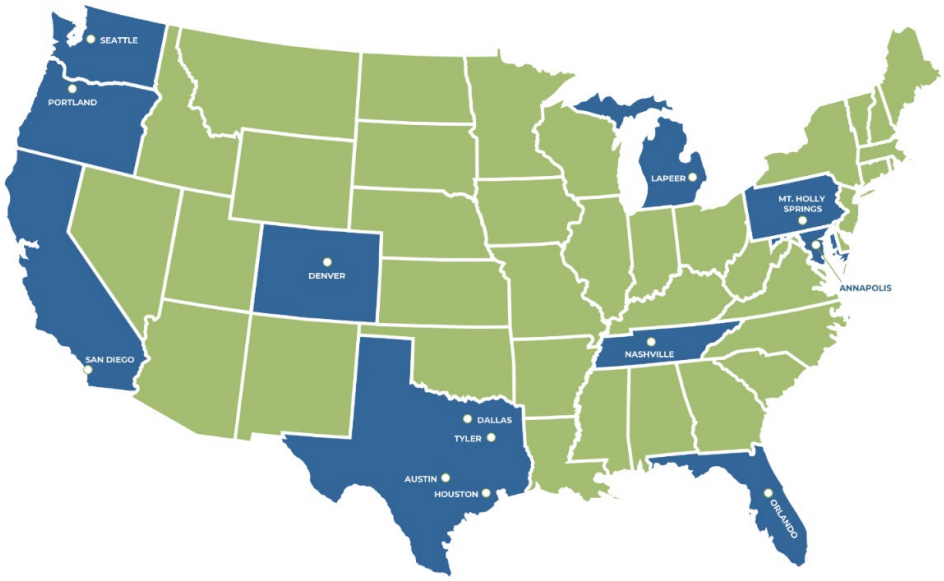
We recognize the need for strategic intent behind our clients' actions by applying the latest market insights, technologies, and tactics to support our recommendations. Our results empower decision makers to implement sound public policy, incorporating community input, market direction, and regulatory mandates.

Understanding your community, your organization, and your data are the three essential elements to developing actionable strategies to maximize the future. NewGen believes that strategy dictates everything. Our approach utilizes your data, markets, and communities to provide an integrated view designed to make long-term decisions with confidence. We leverage our modeling technology and market expertise in energy, water, wastewater, stormwater, and solid waste to solve your most complicated issues. Through proactive collaboration, we upgrade or design strategies for you to ensure they are responsive, transparent, and reliable while paving the way for successful buy-in across all your stakeholders. Our approach has three important features:

1. **Client/Stakeholder Communications:** NewGen simplifies complex concepts by combining visual tools and our training expertise to ensure that clients have a deep understanding of how the issues and underlying data drive our recommendations. This directly impacts the evaluation of the scenarios we present, streamlines decision making, and successfully obtains buy-in from elected officials, customers, regulatory bodies, and senior management.
2. **Operational Insights:** NewGen makes data operational, resulting in actionable decisions with defensible results. We harness existing and untapped data to optimize operations, develop demand management strategies, estimate the impacts of distributed generation, and identify the rational nexus underlying pricing decisions. We help our clients recover costs, improve service delivery, and respond to changing market conditions.

3. **Expert Witness/Credentials:** We have served as expert witnesses in over 200 regulatory and civil proceedings and we employ 26% of the ASA accredited public utility appraisers in the United States. Unlike other firms, NewGen integrates the insights of nationally recognized experts into our models, both of which have been pressure tested through the regulatory and civil process.

NewGen employs over 60 professional and administrative staff. Our current staff has the capability to work on simultaneous assignments, and we have the capacity to add staff and/or expand support from a network of teaming partners, if needed. NewGen has 13 offices located nationwide.



Barr Engineering Co.

resourceful. naturally.
engineering and environmental consultants

Who We Are and What We Do

Barr provides engineering and environmental consulting services to clients across North America and around the world. We have been employee owned since 1966 and trace our origins to the early 1900s. Our engineers, scientists, and technical specialists work together to help clients develop, manage, process, and restore natural resources.

At Barr, we solve clients' problems as if they were our own. We will bring to your projects the insights and expertise we have gained from our work on thousands of projects—and a promise to do our best work on your behalf.

Our Core Values

We commit to providing an exceptional client experience by putting ourselves in our clients' shoes to help identify and solve their problems and by being responsible for the solutions.

We act as employee owners who view ownership as a privilege and a responsibility and are proud of what we do and who we are.

We consult collaboratively and recognize that we can accomplish more when we work together, sharing knowledge and skills in an inclusive and diverse environment.

We believe that, working together, we can make a difference.

Committed to Safety

Health and safety are at the center of the work we do every single day. To reflect this commitment to safety, Barr's health and safety management system is certified to the ISO 45001:2018 standard.

At Barr, each employee is tasked with maintaining their own safety, looking out for the safety of coworkers, and demonstrating safety leadership through everyday actions and decisions. This includes the ability to stop or decline work if it cannot be performed safely.

As a company and as individuals, we prioritize the safety and security of our people and all who are affected by our work.

Power Industry Services

Barr has worked with clients in the energy sector for over 60 years, providing environmental and engineering services to more than 300 power companies ranging from small municipal utilities to large regional power producers, investor-owned utilities, and nonregulated energy developers. We will work with you from the first feasibility studies and regulatory negotiations through construction and startup to closure. To build a sustainable energy future, we help develop both innovative and practical solutions that meet your needs in the face of changing regulations, markets, and political climates.

As the power industry shifts to low-carbon energy and net-zero emissions technologies, we will partner with you to navigate the challenges of your energy transition. Barr's team of engineers and environmental experts deliver an integrated approach to meeting the changing needs of the energy sector while maintaining support for current operations. This includes supporting the transition to electrification, upgrades to power infrastructure, and an increasing emphasis on renewable generation, energy storage, and thermal generation.

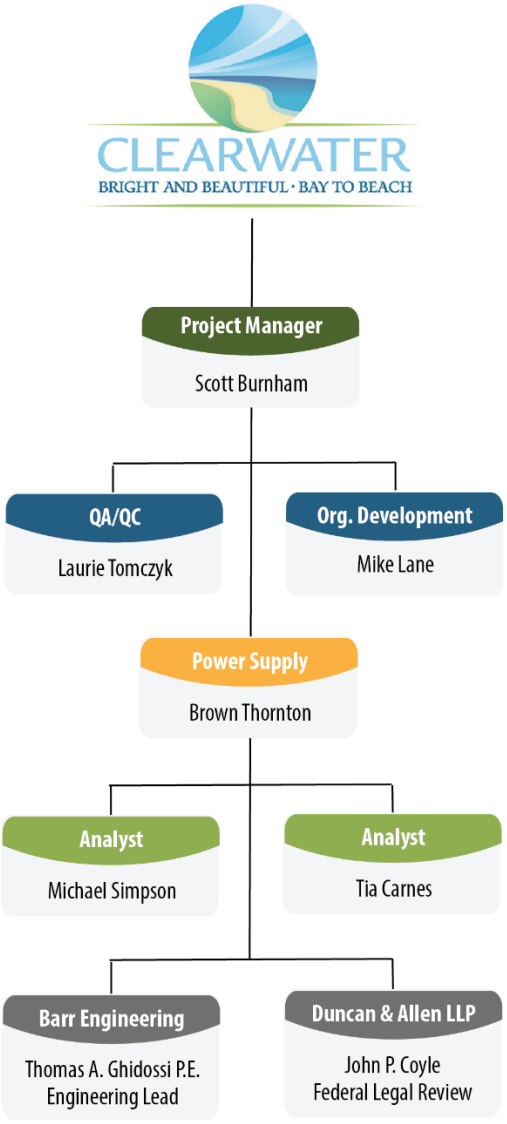
Duncan & Allen LLP

Founded in 1970, Duncan & Allen LLP (Duncan & Allen) is a Washington, D.C. based law firm with a national practice specializing in representing consumer interests in electricity, natural gas, telecommunications, and environmental matters. Our clients include municipal utilities, cooperatively-owned utilities, States and their political subdivisions, and multiple State regulatory commissions. We regularly advise our clients in connection with Federal Energy Regulatory Commission (FERC) transmission and market issues, and other areas related to their utility operations.

We are nationally recognized for our expertise in the formation and implementation of municipal utilities. Our efforts in this area go back to the Village of Elbow Lake, Minnesota, in the late 1960s and early 1970s—a case that led to the Supreme Court's recognition that the antitrust laws apply to regulated utilities in *Otter Tail Power v. United States*, 410 U.S. 366 (1973). Subsequent engagements in which we advised consumer-owned utilities in establishing their own electric distribution systems include Kanab, Utah (1986–1987); Clyde, Ohio (1988–1991); and Electrical District No. 3 of Pinal County, Arizona (2001–2009). We have been able to assist our clients in realizing substantial and material benefits from the exploration of potential municipalization even when the municipalization efforts have not resulted in the establishment of a fully functional municipal electric utility. These situations include our efforts on behalf of the City of Boulder, Colorado (for which we served as FERC counsel between 2012 and 2020) and Wichita, Kansas (1998–2001).

Project Team

The NewGen Team consists of highly experienced financial, management, and engineering consultants. Team members have deep market leading experience in the development of complex COS and rate design studies, rate strategies, emerging rate designs, financial plans, standby rates, and stakeholder tools. Our proposed NewGen Team members are all highly respected professionals that bring pertinent industry experience and innovation to this project, and all are key to the successful completion of this project. A summary of our proposed project organization chart and team bios are provided below. Full resumes for the NewGen Team are available upon request. Additional firm personnel may be utilized on the project, as needed.



Scott Burnham, Partner | NewGen | Project Role: Project Manager

Scott Burnham, Partner at NewGen, offers over 24 years of experience in the areas of project management, cost of service and rate design, asset valuation, and financial feasibility analysis. Mr. Burnham leads efforts to create financial models that develop revenue requirements, cost allocation, financing for strategic capital and operating objectives, and rate/rate structure alternatives, ensuring our clients have reliable and defensible results. Additionally, Mr. Burnham routinely presents study findings and recommendations to utility management, boards, city councils, and other governing bodies. He has developed and reviewed pro forma financial models to determine projected revenue and costs associated with various projects and financing approaches for a variety of power generation facilities. Mr. Burnham is well versed in cost allocation theories and methodologies, rate design concepts, and approaches, and in providing summary analyses and recommendations to industry clients. Mr. Burnham co-leads the semi-annual Cost of Service and Rate Design class through EUCI, an industry conference organization, which is routinely attended by all types of utility stakeholders. Mr. Burnham will be responsible for overseeing the entire Study, as well as for the financial model development.

Mike Lane, Principal | NewGen | Project Role: Organizational Structure Assessment

Mike Lane has been a management consultant for over 25 years, and has experience in management, organizational development, operations, finance, and valuation. Mr. Lane's broad range of experience includes organizational assessments, team building, strategic and business planning, and business development, as well as financial and economic feasibility studies. Before starting his consulting career, he served as a submarine-based nuclear power plant supervisor in the United States Navy and as an instructor at the U.S. Navy's Naval Nuclear Prototype Training Program in Ballston Spa, New York. Mr. Lane has an MBA from the Jack Massey Graduate School of Business at Belmont University, a BBA from Belmont University, and an associate degree in Applied Sciences in Nuclear Engineering Technology from Thomas Edison State College. He is an Accredited Facilitator of the Five Behaviors of Cohesive Teams workshops and an Authorized Partner of Wiley's The Five Behaviors Program. Mr. Lane will be responsible for assisting the NewGen Team with review of organizational elements for the proposed municipal electric utility (MEU).

Laurie Tomczyk, Senior Manager | NewGen | Project Role: QA/QC

Laurie Tomczyk has over 30 years of experience providing management consulting services to clients in the electric power, water, and solid waste management industries. She specializes in electric utility revenue requirement analyses, cost of service and rate design studies, financial projections, expert witness services, and other engineering and economic analyses. Her rate-related projects have included studies to develop retail electric, retail water, transmission, ancillary service, standby, and special contract rates. She also has experience in net energy metering, decoupling, and opt-out programs.

Ms. Tomczyk has provided expert witness testimony on revenue requirement cost of service issues before public utility commissions. She has also offered other types of cost of service and rate-related litigation support. She has been an instructor on behalf of Electric Utility Consultants, Inc. for courses on cost of service concepts and techniques and rate design for electric utilities. Ms. Tomczyk joined NewGen in 2014. Before joining the firm, she provided utility consulting services while employed at R. W. Beck, Inc.

and its successor firm, SAIC, for 25 years. Ms. Tomczyk will be responsible for assisting with the development of the financial model for this Study.

Brown Thornton, Principal | NewGen | Project Role: Power Supply

Brown Thornton brings nearly 40 years of consulting experience in the energy and water infrastructure markets. He specializes in utility management, financial management and analysis, wholesale and retail rate studies, power supply and transmission service, and strategic business planning for municipal and consumer-owned utility clients. Mr. Thornton leverages his broad experience base to work with utility management and governing bodies in engagements involving strategic planning, examination of complex issues, and decision making, including the creation and operation of the recently formed Kentucky Municipal Energy Agency (KYMEA). Mr. Thornton also leads NewGen's natural gas consulting efforts with Interior Gas Utility in Fairbanks, Alaska.

Prior to joining NewGen, Mr. Thornton worked for MWH Global as Vice President, Americas Sector Leader, Energy (2 years) and R. W. Beck, Inc. (including its acquisition by SAIC) as Vice President of Utility Consulting and Principal (20 years). Earlier in his career, he worked in operations, project management, power delivery, and power contracts for the Tennessee Valley Authority, a major generation and transmission electrical utility (11 years). Mr. Thornton will be responsible for assisting with power supply options and transmission costs in support of the financial modeling effort for this Study.

Tia Carnes, Senior Consultant | NewGen | Project Role: Lead Project Analyst

Tia Carnes joined the firm as a Consultant in February 2020. During her tenure, she has provided financial modeling, appraisal/valuation support, cost of service and rate design analyses, and, most notably, support to the organizational review and workshop development projects. Her experience includes leadership training and development, team assessment, and financial analysis. Ms. Carnes came to NewGen with a strong background in customer service, logistics, and high-volume task management. Ms. Carnes will be responsible for assisting with the financial modeling effort for this Study.

Michael Simpson, Consultant | NewGen | Project Role: Project Analyst

Michael Simpson joined NewGen as a Consultant in April 2023. He assists on cost of service and rate design projects, applying his financial modeling skills and engineering background. Before joining NewGen, Mr. Simpson worked as an investment analyst intern at Orbis Investment Management. Mr. Simpson will be responsible for assisting with the financial modeling effort for this Study.

Thomas A. Ghidossi P.E., Senior Electrical Engineer | Barr | Project Role: Engineering Lead

Tom Ghidossi has more than four decades of experience serving as principal and project manager for electrical engineering projects. He has an extensive background in designing and analyzing low-, medium-, and high-voltage power generation, transmission, and distribution systems including utility, industrial, and commercial systems (600V to 500kV). He has specialized expertise in protective relaying and communication systems. Mr. Ghidossi focuses on larger substation, generation, and transmission/distribution projects. Prior to joining Barr, Mr. Ghidossi founded Exponential Engineering

Company in 1993, leading that firm to provide responsive and personalized service to the electric power industry.

An active and dedicated member of the clean energy technology and renewable energy sectors, Mr. Ghidossi served as co-chair of the Colorado Clean Energy Cluster from 2015–2017. He stays at the forefront of technological innovation to integrate new technologies into existing systems. He is passionate about keeping power affordable and sustainable by moving existing electric and energy systems toward more distributed, local microgrids, storage, and local generation. A leader in the power industry, he is committed to teaching and mentoring clients and employees. Mr. Ghidossi will be responsible for developing the engineering assessment and associated costs for this Study.

John P. Coyle, Partner | Duncan & Allen LLP | Project Role: Federal Legal Review

For the past 36 years, John Coyle has represented municipalities, consumer-owned utilities, and other consumer interests in proceedings before the FERC, state utility regulatory commissions, federal and state trial and appellate courts, arbitration tribunals, and the North American Electric Reliability Corporation (NERC). Mr. Coyle will be responsible for leading the federal legal review for this Study.

Past Involvement with Similar Projects

The NewGen Team maintains a diversified staff of professionals with exceptional skills, dedication, and talent. We have built our reputation by providing clients with solutions that are based on sound principles, economic feasibility, and innovative thinking without losing sight of budget and schedule considerations and constraints. We encourage the City of Clearwater, Florida (City) to contact the references listed below for whom we have performed work. We are able to provide additional references at the request of the City.

NewGen Similar Project Experience

City of Chicago, Illinois | Preliminary Municipalization Feasibility Study

Date of Service: October 2019–July 2020

Contact Information: Jennifer Muss, Deputy Commissioner | Jennifer.Muss@cityofchicago.org | (312) 744-9723 | 121 N. LaSalle Street, Chicago, Illinois 60602

The City of Chicago, Illinois (Chicago or the City) contracted with NewGen to conduct a preliminary investigation into the establishment of a municipal electric utility (MEU) to serve the residents and businesses of the Chicago Commonwealth Edison Company (ComEd), a wholly owned subsidiary of Exelon Corporation, which currently provides retail electric services to the City. The intent of this Preliminary Feasibility Study was to determine if the City should continue with its efforts to establish a locally controlled MEU. This included the development of a financial feasibility analysis as well as a review of the City's public policy objectives as they relate to the electric utility operations in the City.

NewGen developed a financial pro forma cash flow model to determine the financial feasibility of creating a MEU for the City. The financial model estimates the cash needs of the City's electric utility. The projected operating revenues (i.e., the utility's revenue requirement) are designed to recover the utility's costs for operations, capital investments, and debt service, as well as any margin required to meet its

financial obligations. In addition to evaluating the financial feasibility of a municipally owned electric utility, there are alternatives to municipalization that may be consistent with the City's goals and supportive of its overall public policy objectives. The project was completed in September 2020, at which time the City decided it was not in their citizens' best interests to move forward with a municipalization effort. The final report is available at the City's website: https://www.chicago.gov/city/en/depts/dgs/supp_info/SCOPE_OF_SERVICE_MUNICIPALIZATION_FEASIBILITY_STUDY.html

City of Decorah, Iowa | Preliminary Feasibility Study for Municipal Electric Utility

Date of Service: 2017

Contact Information: Andy Johnson, Director of Winneshiek Energy District | andy@energydistrict.org | (563) 564-3580 | 217 W Water Street, Decorah, IA 52101

NewGen and its subconsultants were retained by Decorah Power, a not-for-profit entity developed to investigate the feasibility of creating a municipal electric utility (MEU) in the City of Decorah, Iowa. The City is currently served by Alliant Energy through its regulated utility, Interstate Power and Light (IPL). Decorah Power is advocating the development of a MEU in Decorah for the purposes of local control, advancing renewable energy and energy efficiency programs, and creating an opportunity for a sound economic base for the City while providing reliable power to the citizens and businesses of Decorah.

The preliminary feasibility study provided a recommendation to the City based on an independent field assessment of the assets potentially to be acquired by the City, as well as the development of financial analysis of the costs to create and operate a MEU within the City. The preliminary financial analysis included an estimate of the Replacement Costs Less Depreciation (RCLD) value for the assets, as well as various power supply and transmission options. The benchmark for the preliminary feasibility analysis was the average retail rate for the estimated load within the area to be served by the MEU. The study was intended to support a City-wide public referendum to support an application to the Iowa Utilities Board (IUB), which is the public utilities commission in Iowa, to allow for a municipal acquisition of the IPL assets and operations. The referendum vote occurred on May 1, 2018, and the results indicated that almost half of the residents were in favor of moving forward with the municipalization effort. The City is in the process of determining how best to move forward.

Kentucky Municipal Energy Agency | Power Supply Planning and Formation of a New Energy Agency

Date of Service: 2015–Ongoing

Contact Information: Doug Buresh, President and CEO | dburesh@kymea.org | (502) 242-5635 | 1700 Eastpoint Parkway, Louisville, KY 40223

NewGen led a team of industry experts in assisting a group of 12 municipal clients through the examination of existing power supply arrangements, potential alternatives, and the development of a preferred future strategy. The ongoing engagement includes the following activities:

Wholesale Power Contracts and Rates:

- Review Federal Energy Regulatory Commission (FERC)-regulated annual formula rate adjustments including fixed and variable costs associated with capital investments, environmental compliance, construction work in progress, allowance for funds used during construction, fuel costs, purchased power, and operations.

- Assist in negotiation of contract terms and conditions including consideration of reduction in return on equity, stranded cost provisions, interruptible load credits, change in depreciation method, and an annual true-up mechanism to address regulatory lag.
- Conduct annual review of transmission supplier's Open Access Transmission Tariff (OATT).

Strategic Power Supply Planning:

- Provide ongoing assistance related to wholesale power rates, power supply contract, and transmission service arrangements.
- Conducted initial assessment of clients' energy competitiveness, costs, and risks.
- Assisted clients' management teams and boards in the development of a long-term power supply and delivery strategy. This wide-reaching scope of work included the evaluation of legacy power supply arrangements and the selection of a preferred future strategy for generation ownership, transmission service arrangements, and interconnection facilities.
- Examined organizational and governance alternatives and probable economic and operational benefits.
- Provided support to the municipal group throughout a complex business decision to terminate long-standing power supply arrangements with a major generation and transmission company.
- Currently assisting the municipal group in the development of a preferred generation resource portfolio including generation resources, purchase power agreements, and transmission service arrangements.

Power Agency Formation:

- As a result of power supply planning efforts, currently assisting the municipal group through the formation of a new power agency and development of entity creation, bylaws, governance, and member participation agreements. The agency is to be organized to provide a sound framework for members to own and operate electric generation and transmission facilities or to participate in projects with private or other public utilities, and to issue bonds to defray the cost of acquiring, constructing, and equipping electric generation facilities.
- Provide project financing support including preparation of feasibility studies, development of a long-term pro forma financial analysis, and preparation of a comprehensive economic analysis for future rating agency review.
- In 2014, the group decided to give Kentucky Utilities (KU) notice to terminate their power supply contracts effective 2019. NewGen, along with a team of advisors and legal support, facilitated the creation of KyMEA by assisting with the establishment of regulatory processes, development of the bylaws, and creation of participation agreements. Now fully formed, KyMEA provides a framework for its members to consolidate market power in executing purchased power agreements, obtaining power generation facilities, obtaining transmission service arrangements, and financing asset development, if needed. KyMEA is currently in the process of developing a preferred generation resource portfolio, developing agreements with counterparties, developing and executing agreements regarding other resources, and proceeding with transmission service arrangements. Implementation of KyMEA's power supply program went online in May 2019.

City of Boulder, Colorado | Preliminary Municipalization Feasibility Study (2005); Valuation for Electric Distribution System

Date of Service: 2012—2020

Contact Information: Kathy Haddock, Senior Counsel, Boulder City Attorney's Office | haddockk@bouldercolorado.gov | (303) 441-3873 | Boulder City Attorney's Office, 1777 Broadway, 2nd Floor, Boulder, CO 80302

NewGen has had a long history working with individuals from Barr (as Exponential Energy Company [EEC]) for the City of Boulder, Colorado in its effort to municipalize the distribution assets of Public Service Company of Colorado (PSCO or Xcel Energy) within its city boundaries. Members of the NewGen Team initiated the City's most recent effort in 2004 with the development of a preliminary feasibility study, which included a physical review of the assets, the creation of estimated severance costs, and stranded investment costs. After presenting the results of the feasibility study to the Citizen's Committee, the City began its long endeavor to move forward with its objectives to own and operate a MEU. As these efforts continued, NewGen was retained in 2012 to develop an updated estimate of the value of electric distribution facilities the City may acquire from Xcel based on generally accepted appraisal approaches to valuation. NewGen worked with City management staff and the consultants, engineers, and legal counsel retained by the City to establish an MEU. The City determined in 2020 that it was in its best interests to discontinue its municipalization effort. However, through the municipalization process, the City was able to achieve many of its objectives within the executed Energy Partnership Agreement with Xcel.

City of San Diego | Public Power Feasibility Study: Phase I

Date of Service: 2022—2024

Contact Information: Heather Werner, Deputy Director | hwerner@sandiego.gov | (858) 492-5082 | 1200 Third Ave., Ste. 1800, San Diego, CA 92101

The City of San Diego (City) retained NewGen in 2022 to conduct a Phase I Public Power Feasibility Study (Study) to evaluate options to expand public utility services to include electric delivery consistent with the City's Strategic Plan goals. NewGen partnered with Bell, Burnett & Associates (BB&A) and Siemens Power Technologies International (Siemens PTI or Siemens), collectively the NewGen Team, to support the City's needs for this Study.

This Study is a multi-phased approach to evaluate the processes, costs, risks, and opportunities associated with municipalizing the energy infrastructure assets of San Diego Gas & Electric (SDG&E) within the City to form a Municipal Electric Utility (MEU). Phase I was completed in 2023 and included the following tasks completed by the NewGen Team:

- Development of Process Maps. The City requested the development of municipalization process maps for the Phase I report. The process maps presented a series of analyses, decisions, and activities to be undertaken by the City over the course of its municipalization effort.
- Review of Public Power Entity Options. The NewGen Team conducted an organizational assessment of current City operations and then reviewed the various options for the structure, governance, and organization of a potential municipal electric utility and evaluated their feasibility considering the organizational assessment results.
- Development of initial financial determinations regarding existing electric and gas systems in the City.
- Development of initial financial and operational options and needs for a Public Power entity.

Based on the NewGen Team's initial findings, a Phase I Feasibility Report summarizing our analyses was developed. The report indicated that municipalization of SDG&E's electric delivery assets within the City

is financially feasible on a preliminary basis. Over a 30-year timeframe, the City might be able to generate a potential financial cumulative benefit of between $6 billion and $15 billion from the acquisition of these assets compared to continued service from SDG&E. These projections remain highly theoretical and dependent on several assumptions, market factors, and circumstances both foreseeable and unforeseeable at the time of the report. Acquisition of SDG&E's natural gas system was removed from analysis in this Study, as it is not consistent with the City's strategic planning efforts.

The conclusion of the process map development was that there are established processes (both legal and regulatory) for the City to continue its investigation into forming an MEU within the City. Further, there are specific policy considerations that the City should address during this process. The process maps, based on the NewGen Team's experience, suggest that the time required to fully accomplish the objective of forming an MEU for San Diego will, at a minimum, be eight to ten years. However, that time frame could easily be expanded by the actions and decisions of external parties, including SDG&E.

For this Study, the NewGen Team conducted a preliminary evaluation of the various options for the structure, governance, and organization of a potential MEU. This was accomplished by conducting an in-depth organizational assessment of the current City operations which focused on the opportunities and challenges that currently exist within the City relative to the potential establishment of an MEU. Of the structures identified and included in this Study, the ones that are the most promising to meet the requirements of the City and the needs of an MEU appear to be either a Public Charitable Trust or a Special District.

The Phase I report recommended that the City continue its evaluation of municipalization of the SDG&E electric delivery assets. This includes development of a preliminary Municipalization Strategic Plan to address the policy objectives of the proposed MEU as they relate to the City's Carbon Action Plan and other environmental policies and strategic documents. Recommendations for Phase II activities include the preparation/facilitation of a detailed community Stakeholder Engagement process and development of a Local Agency Formation Commission application, which will include updates to the asset inventory by field inspections and corresponding updates to the Phase I financial analysis. Phase II efforts are currently underway and are anticipated to be completed by the summer of 2025. The Phase I report is available here: https://www.sandiego.gov/sustainability-mobility/energy/public-power

City of Ann Arbor, Michigan | Ann Arbor 100% Renewable Energy Options Analysis/Preliminary Municipalization Study

Date of Service: 2022–2023

Contact Information: Missy Stults, PhD., Sustainability and Innovations Director | mstults@a2gov.org | P: 734-794-6430 x 43725 | Ann Arbor Office of Sustainability and Innovations, 301 E. Huron Street, Ann Arbor, MI

Ann Arbor 100% Renewable Energy Options Analysis

- Study focuses on 100% renewable energy for the City.
- Assessment/Condition analysis of DUKE Distribution Assets in City.
- Ongoing analysis of City's options.

The City of Ann Arbor (City) engaged members of the NewGen team through a contract with 5 Lakes Energy, LLC (5 Lakes) to provide a preliminary municipalization study. The NewGen Team, supported by Barr Engineering Co. (previously Exponential Engineering Company [EEC]), developed a financial feasibility model to evaluate the annual cash needs of a Municipal Electric Utility (MEU). The potential MEU would be formed from the acquisition of the electric distribution system within Ann Arbor's municipal boundaries. In October 2022, the EEC team conducted a series of on-site evaluations and assessments of the distribution assets within the City. From this evaluation, EEC developed an

estimate of the Original Cost (OC) and Replacement Cost New (RCN) of these assets, as well as a summary evaluation of the condition and estimated age of the assets. NewGen created a range of potential acquisition costs for use in its pro forma financial model. Additionally, NewGen developed an estimate of asset valuation utilizing the Federal Energy Regulatory Commission (FERC) income approach.

The pro forma financial model is a 30-year cash flow model that assumes an "overnight" acquisition of DTE delivery assets by the City. The annual revenue requirement for the MEU is derived from the estimated operations and maintenance (O&M) costs, debt service, and other costs. O&M costs include estimated costs for power supply (delivered to the City), distribution, customer, and administrative and general (A&G) costs. Additionally, the revenue requirement includes assumptions regarding City-issued debt and resulting annual debt services for the acquisition of the DUKE assets, severance-related expenses, future investments, and start-up costs for the MEU. Severance costs were estimated assuming the City would need to build assets to connect to the third-party transmission system in the area. The total revenue requirement is divided by the total estimated sales for the MEU to derive an "all-in" energy rate in $/kilowatt hours (kWh) for the MEU.

The all-in energy rate is compared to an estimated "all-in" energy rate for the Status Quo case, which for this Study assumes continued service from DTE. Non-Commodity (delivery) rates for DTE were estimated from historic and projected values from publicly available sources. For both the MEU and the Status Quo case, the financial pro forma model assumes that the power supply for the City will meet its strategic planning requirements of 100% carbon-free energy by 2030. The power supply projections were developed by 5 Lakes and assumed that costs for energy and capacity for both the MEU and DTE will be provided by different sources.

The Phase I effort for this Study has been presented to the Ann Arbor City Council and others in the community. The City is currently reviewing the analysis internally and is considering development of a Phase II effort, which may be initiated in the fall of 2024. The Phase I report is a public document and is available here: https://www.a2gov.org/departments/sustainability

Barr Similar Project Experience

Core Electric Cooperative, Colorado | Franchise Alternative

Date of Service: 2021–2022

Contact Information: Pam Feuerstein, Assistant General Manager | pfeuerstein@core.coop | (303) 688-3100 | 5496 N. U.S. Highway 85., Sedalia, CO 80135

Members of Barr (as EEC) provided engineering services for CORE Electric Cooperative (CORE) to evaluate the feasibility of acquiring the existing distribution system serving a Colorado municipality to operate as the franchise holder. Engineering services included:

- Engineering evaluation of the existing system.
- Created a GIS map of the existing utility overhead facilities.
- Evaluated a sample of the existing facilities for age and condition in the field.
- Created Replacement Cost New estimates.
- Determined likely separation requirements to create distribution systems to serve the municipality and the remaining incumbent utility customers independently.
    - Developed preliminary designs and costs for new substation and transmission facilities.

- Assisted with developing a long-range capital plan to address the needs for upgrades and replacements were the system to be acquired.

EEC completed the services; CORE determined that it would not be economically feasible to acquire the facilities and become the franchisee.

City of Boulder, Colorado | Municipalization Project

Date of Service: 2012–2020

Contact Information: Kathy Haddock, Senior Counsel, Boulder City Attorney's Office | haddockk@bouldercolorado.gov | (303) 441-3873 | Boulder City Attorney's Office, 1777 Broadway, 2nd Floor, Boulder, CO 80302

Members of Barr (as EEC) led the engineering work for the City of Boulder's municipalization project from 2012 through 2020. Engineering services included:

- Requested and received per Colorado Public Utilities Commission (CPUC) order Xcel Energy's (Xcel) GIS database and power system model for the distribution facilities in area.
- Analyzed Xcel's existing distribution, substation, and transmission systems including approximately 55,000 meters within the city limits.
- Tabulated assets, including extracting data from the Xcel GIS.
- Assessed asset age and condition in the field, based on a 10% sample size.
- Estimated Replacement Cost New (greenfield) for all assets using local contractor and material costs and prior project experience.
- Supported NewGen's appraisal analysis for Replacement Cost New Less Depreciation and Original Cost New.
- Created a separation plan to provide the same or better reliability and capacity for customers to remain with the incumbent utility to meet CPUC requirements and rulings.
    - Analysis of redundancy and capacity.
    - Preliminary design of two new 115kV-13.2kV and two new 230kV-13.2kV substations to separate from Xcel's facilities.
    - Preliminary design of distribution feeder additions, interconnections, replacements, and new construction to meet the separation plan goals
- Technical support for legal and regulatory processes:
    - CPUC:
        - Drafted and filed expert testimony.
        - Discovery and rebuttal.
        - Approximately 10 hours of Direct Testimony at the CPUC hearing.
        - Presented the Separation Plan.
    - Condemnation Proceeding:
        - Prepared asset lists and maps.
        - Supported legal pleadings and testimony.

The project was put on hold in 2020 as the incumbent utility agreed to franchise terms that incorporated many of the City's goals, including:

- Opt-out provisions for Boulder at key milestones and three-year periods based on Xcel's performance.
- Commitment to renewable energy goals.
- Support for community renewable energy and resilience goals.

Duncan & Allen Similar Project Experience

Village of Batavia, Ohio | Preliminary Feasibility Study

Date of Service: 2017—Present

Contact Information: Christopher Moore, Village Solicitor | cmoore@smbplaw.com | (513) 615-0036 | Schroeder Maundrell Barbiere & Powers, 5300 Socialville Foster Road, Suite 200, Mason, Ohio 45040

Prepared legal component of preliminary feasibility study issued February 2018; implementation deferred due to litigation initiated by Duke Energy Ohio, Inc. in August 2019, in which the Village prevailed on motion for summary judgment granted June 2021. Advisory services currently ongoing. Responsible contributor: John Coyle.

City of Boulder, Colorado | Counsel for Municipalization

Date of Service: 2012—2020

Served as Federal Energy Regulatory Commission counsel to City of Boulder in effort to establish municipal utility (addressing system acquisition, stranded cost exposure, wholesale power supply, interconnection, and related issues). City resolved its issues with Public Service Co. of Colorado in Franchise Agreement, Settlement Agreement and Energy Partnership Agreement approved by referendum in November 2020. Responsible contributors: John Coyle and Ashley Bond.

Electrical District No. 3 – Pinal County, Arizona | Re-establishment of Electric System

Date of Service: 2001—2011

Contact Information: Kenneth R. Saline, K.R. Saline Associates | krs@krsaline.com | (602) 321-9084 | 160 N. Pasadena, Suite 101, Mesa, AZ 85201

Advised Arizona political subdivision Electrical District No. 3 in (i) recovery of operational control of its transmission and distribution system; (ii) negotiation and modification of suitable arrangements for accommodation of service to (a) APS customers served via ED3 facilities, and (b) tribal utility embedded within ED3 territory; (iii) expansion of peak electric demand served from 35 MW (2001) to approximately 235 MW currently, with financing and construction of expanded transmission and distribution infrastructure; and (iv) successful negotiation of: (a) transfer of APS distribution facilities in service area at depreciated original cost, (b) transfer of approximately 4,400 APS customers (meters), and (c) territorial exclusivity in service area. Responsible contributor: John Coyle.

Wichita, Kansas | Municipalization Feasibility Study

Date of Service: 1998—2001

Contact Information: Timothy E. McKee, Esq., Triplett, Woolf Garretson LLC | temckee@twgfirm.com | (316) 630-8100 ext. 246 | 2959 N. Rock Road, Suite 300, Wichita, KS 67226

Legal component of municipalization feasibility study, legal counsel re. stranded cost and franchise issues; City resolved its situation by obtaining franchise benefits and lower rates for retail customers. Responsible contributor: Gregg D. Ottinger.

Falls Church, Virginia | Preliminary Feasibility Study

Date of Service: 1995

Contact Info: Jeff Tarbert (former Mayor and City Council Member) | jeff.tarbert@gmail.com | (202) 491-4492 | 426 Park Avenue, Falls Church, VA 22046

Legal component of preliminary feasibility study; City obtained franchise benefits as a result of municipalization effort. Responsible contributors: Donald R. Allen and Gregg D. Ottinger.

Towns of East Hampton, Riverhead, Shelter Island, Southampton, and Southold, New York | Preliminary Feasibility Study

Date of Service: 1995

Contact Info: No contact available due to intervening changes in municipal administration

Legal component of preliminary feasibility study for formation of municipal joint action agency to assume ownership of Long Island Lighting Company transmission and distribution system. Effort superseded by 1995 amendments to NY Pub. Auth. Law §§ 1020-h to initiate Long Island Power Authority negotiations to acquire LILCO (concluded in 1997). Responsible contributor: John Coyle.

Minerva, Ohio | Preliminary Feasibility Study

Date of Service: 1993

Contact Info: No contact available due to intervening changes in municipal administration

Preliminary feasibility study; City obtained franchise benefits. Responsible contributor: John Coyle.

Evanston, Illinois | Preliminary Feasibility Study

Date of Service: 1991

Contact Info: No contact available due to intervening changes in municipal administration

Preliminary feasibility study; City obtained franchise benefits. Responsible contributor: Gregg D. Ottinger.

Brook Park, Ohio | Preliminary Feasibility Study and Representation

Date of Service: 1991

Contact Info: No contact available due to intervening changes in municipal administration

Preliminary feasibility study and representation in proceedings before Nuclear Regulatory Commission concerning proposed formation of municipal electric utility; City obtained franchise benefits and refunds for local customers. Responsible contributors: Gregg D. Ottinger and John Coyle.

Clyde, Ohio | Establishment of Municipal Electric System

Date of Service: 1986–1990

Contact Info: Paul H. Fiser, City Manager | pfiser@clydeohio.org | (419) 547-6898 | Municipal Building, 222 N. Main Street, Clyde, Ohio 43410

Successful establishment of a municipal electric system to compete head-to-head with incumbent utility, The Toledo Edison Company (now FirstEnergy). Clyde Light & Power now serves over 99% of electric demand in City of Clyde. Responsible contributors: Gregg D. Ottinger and John Coyle.

Kanab, Utah | Eminent Domain Proceeding

Date of Service: 1986

Contact Info: No contact available due to intervening changes in municipal administration

Successful eminent domain proceeding acquiring distribution system from Utah Power & Light Company, culminating in establishment of a municipal electric system (City subsequently sold its distribution system to Garkane Energy Cooperative). Responsible contributor: John P. Williams

Elbow Lake, Minnesota | Establishment of Municipal Electric System

Date of Service: 1965

Contact Info: No contact available due to intervening changes in municipal administration

Successful establishment of a municipal electric system; culminated with the U.S. Supreme Court Case Otter Tail Power Co. v. U.S., 410 U.S. 366, 25 L.Ed.2d 359, 93 S.Ct. 1022 (1973).

PROPOSED WORK PLAN

Project Management and Approach

The NewGen Team proposes to provide the City of Clearwater (City) with a comprehensive and detailed analysis of its municipalization options (Municipalization Study or Study). We proposed to accomplish this Study with a series of tasks. Task 1 will include an on-site kickoff meeting with the City and its Project Team and the subsequent development of a draft Strategic Assessment document to assist in guiding the Study. Task 2 will consist of on-site field assessments by the engineering team as well as the development of a detailed financial model. Task 3 will consist of the development of a final report as well as a presentation to the City management, as appropriate.

Task 1 – Project Kickoff/Develop Strategic Assessment

NewGen will establish a time that is convenient for the City to conduct an on-site kickoff meeting. The purpose of this meeting will be to review the scope of services; introduce team members; review data provided or obtained to date (as well as additional data necessary); review the scope of services to be conducted, including a proposed Study timeline; and establish communication protocols for the Study. As part of this kickoff meeting, NewGen will develop a strategic assessment of the City's goals and objectives as they relate to this Study. The strategic assessment will be critical to defining the success of the Study, as well as outlining various alternatives to the City continuing under the Duke Energy Franchise Agreement that are supportive of its overall objectives as they relate to electric utility services.

The strategic assessment process will result in the development of a summary letter report to the City, which will provide a summary of the discussions, outcomes, and objectives related to this Study. The strategic direction will guide the Study process and will become the foundation for the final report.

Key members of the NewGen Team will facilitate and attend biweekly status calls with the City's Project Team to discuss, strategize, and report on the progress of the Study. The timing of the biweekly status

calls will be determined during the kickoff meeting. Each call is anticipated to be approximately one hour in length, depending on the material needed to be covered during that time. If additional calls are necessary to facilitate project objectives, they can be set up on an as-needed basis. NewGen will provide a summary of the items discussed during the status call, which will be provided in an email format and will include action items and outstanding project issues/items to be addressed during subsequent calls. The City Project Team will have the opportunity to review and provide comment on the Status Call Summary Report, as necessary

Task 1.2 – Data Acquisition

NewGen will develop a data request for the City (and other entities) as appropriate, which may include:

- Identification of the potentially largest electric usage customers within the City, as well as all local government accounts.
- GIS Maps and any other available mapping for existing utilities (water, sanitary sewer, storm sewer, and communication).
- Customer billing determinants (i.e., monthly billing database summary by class—customer counts, customer demand, and energy use).
- Plans for municipal growth and/or annexation.
- Specific reliability requirements related to "critical infrastructure" and/or emergency services.
- Summary of previous City meetings/action items/issues or concerns.
- Other relevant information and/or policies.

Task 1 Deliverables:

- In-person kickoff meeting
- Data request
- Initial Draft Project Strategic Assessment
- Set up biweekly calls (or more frequent, as necessary)
- Status Call Summary Report
- Data Request

Task 2 – Electric Utility Municipalization Feasibility Study

As part of this evaluation, the NewGen Team will evaluate the option for the City to develop a traditional electric utility by acquiring the delivery assets from Duke Energy to serve its load. This effort will begin with the development of an understanding of the proposed service territory for the City's MEU, an estimate of the electric load to be served over an appropriate planning horizon, an assessment of the facilities to be acquired, potential severance issues, potential for impacts to reliability, the financial impacts of developing an MEU, and other legal and/or regulatory assessments associated with such actions.

During the Study kickoff meeting and in subsequent status calls, the NewGen Team will provide a summary of the considerations, objectives, and issues for the municipalization feasibility evaluation. This will include a review of the City's objectives such as reliability, resilience, and responsiveness to community

needs. The evaluation criteria will be utilized to define the meaning of a successful outcome of this evaluation and will consider various strategies and metrics for evaluation, including equivalent or lower "all-in" electric rates, debt service coverage minimums, reliability indices/goals, policies and plans for undergrounding delivery assets, etc. These criteria may also include utilizing industry standards as guidelines regarding future system performance.

Task 2.1 – Technical Assessments

The following is a summary of the proposed scope of services to be provided for the Task 2.1 Technical Assessments. Based on preliminary research, the NewGen Team understands that the population of the City is approximately 120,000 citizens, and there are approximately 32,000 customers served by the City-owned natural gas utility. The City occupies approximately 36 square miles within Pinellas County. The Technical Assessments will be designed to provide a basis for valuation of Duke Energy's existing substation and distribution system, develop preliminary severance (separation), and provide support to the legal, regulatory, and financial efforts of the NewGen Team. The focus of the Study will be to evaluate the development of a MEU within the City's municipal boundaries. NewGen understands that there may be specific "enclave" areas within the City's municipal boundaries that are not technically part of the City; however, for the purposes of this Study, it will be assumed that these areas could be served by the MEU in the future. However, if during the course of the field evaluation, the NewGen Team finds certain areas of concern regarding service to these enclaves, they will be noted in discussions with the City.

Develop Boundary Maps

The NewGen Team will create boundary maps of the proposed MEU service territory based on City boundaries, enclaves, and planned or potential annexations, as appropriate. The NewGen Team will determine (from Google Earth and publicly available information) the Duke Energy transmission assets and transmission/distribution substations within or adjacent to the City that may be necessary to acquire and/or access to create an MEU and interconnect with the existing transmission grid. This analysis will also include the development of a summary of Duke Energy's typical installation practices and types and sizes of delivery asset investments within the City. This will include working with the City to delineate municipal boundaries, as well as Duke Energy's transmission assets, existing transmission/distribution substations, and distribution feeders within and beyond the City that may be necessary to acquire and/or access to create an MEU and interconnect with the transmission grid. This will include an assessment of overhead facilities (distribution poles, conductor, transformers, etc.) as well as a review of underground facilities that are readily observable (pad mounted transformers, switches, etc.).

The boundary maps will be utilized to assist in the creation of a potential sampling plan of delivery-related assets to be assessed for this Study (see "Conduct Condition Assessment" below). The sampling plan assumes approximately 10% (4 square miles) of the area within the City. Underground facilities will be inferred from aerial and ground observations and the NewGen Team's design experience. Greenfield replacement cost estimates will be furnished at an AACEI Class 5 Level (Project Definition between 0% and 2%, Concept Screening, Accuracy Ranges – Low: -20% to -50%, High: +30% to +100%).

Projection of Electric Load

The NewGen Team will utilize historic load data as provided by Duke Energy and/or the City or estimated based on publicly available data, including econometric data, to prepare projections of potential electric load and numbers of customers to be served by the MEU over a 20-year planning horizon. This will include estimates by "high-level" customer class (residential, commercial, industrial) and an evaluation of summary load shapes by hour, month, and annual usage characteristics by each class (assuming such

information is available or inferring from publicly available information as appropriate). Economic data may be purchased from third-party firms including, but not limited to, Woods & Poole, NPA Data Services, Moody's, or IHS Global Insight, which may provide additional insight into the load forecast applied to both the status quo (Duke Energy) and the MEU scenarios. The evaluation of load shapes will be incorporated into projections of estimated peak load by class to estimate the City's total load for wholesale power purchases.

Conduct Condition Assessment

The NewGen Team will conduct a field condition assessment of a representative sample of the Duke Energy infrastructure to be acquired as part of the municipalization energy option in coordination with the City's Project Team. This field assessment will be conducted utilizing a sampling approach to estimate the condition of the assets to be acquired by providing a qualitative score to each segment within the sample and applying that score to the overall infrastructure. The NewGen Team recognizes that the City envisions that it needs to obtain a solid understanding of the asset values to be acquired with this field assessment.

This proposal is based on field sampling limited to approximately 10% of the entire system to collect representative asset condition and ages. This will include an assessment of the majority of the transmission/distribution substations within the City from a visual review (the NewGen Team will not enter substations) as allowed from public spaces surrounding the substations. The NewGen Team will provide a condition such as "Good," "Fair," or "Poor" to each substation based on this visual review, which will be used to assess the age of the facility, its relative condition, and state of technology, based on the expertise of the field engineer. Assets will be graded into age bands by decade to facilitate the development of depreciation values. Sources of plant (asset) data to be reviewed for developing estimates of the book value of these assets may include those available from the City and/or Duke Energy filings before the Florida Public Service Commission (FPSC) and/or FERC, as appropriate.

This approach will also be applied to the sampled distribution assets as appropriate based on existing, observable overhead and pad-mounted (above ground) distribution system facilities to understand "typical" asset condition, as well as Duke Energy's construction practices for its delivery systems. The condition assessment will also form the basis for the proposed plans to repair or replace the assets reviewed. The assessment will be conducted in sufficient detail for the sampling to inform the City of a reasonable estimate of the Replacement Cost New (RCN) for the entire system, including an approximation for the ages and conditions of the facilities by decade. RCN will be estimated based on typical design for feeders, distribution transformers and services, substations, and transmission lines using RSMeans regional costs. Asset age and condition information will be utilized to develop a range of potential costs to acquire the system based on Replacement Costs New Less Depreciation (RCLD), which the City has indicated is the regulatory approved basis for acquisition costs.

Estimate Non-Delivery Related Assets

The preliminary field condition assessment will also include an estimate of the non-delivery assets necessary to be acquired to form the MEU, including support systems (buildings, operations centers, warehousing) that may be owned by Duke Energy within the City and as identified in publicly available data and/or provided by the City. NewGen understands that Duke Florida's current operations center is within the City. The City is interested in the possibility of co-locating the MEU operations center at the existing site, given that Duke Florida will continue to provide service outside the City if an MEU is formed. The City may have different options relative to requiring Duke Florida to utilize existing facilities for this purpose. NewGen will work with the City to provide a high-level estimate of costs associated with either

the co-locating or development of a new operations center for the MEU as a potential range of costs in the evaluation.

The NewGen Team will address the potential advantages and disadvantages of MEU ownership of delivery-related assets to provide service to the City. NewGen will review distribution plans and other filings with the FPSC to identify potential system capital improvements planned by Duke Energy for the City over the next 5 to 15-year planning horizon, as available. Other publicly available data may be utilized for this analysis as well.

Identify Severance Issues/Plan

As a result of the field investigation and in coordination with the City, the NewGen Team will provide a summary of potential severance issues that may exist at the municipal boundaries of the acquisition area to be served by the MEU. Existing distribution systems serving customers on either side of the municipal boundary in five two-mile representative segments will be mapped. This process will include overhead and pad-mounted equipment visible in public rights-of-way only to approximately 500–1,000 feet to either side of the municipal boundary. A preliminary separation/severance plan for each representative segment developed for the boundary map (described above) will be utilized to establish "typical" requirements and costs for separation which will then be applied to the entire system on a proportional basis.

The preliminary severance plan will be developed to meet the constraints of maintaining reliability and capacity comparable to the existing system for both MEU and Duke Energy customers. In our experience, severance is a complex technical, legal, and cost issue that can make or break a municipalization project. Severance plan components will include transmission interconnection, substation facilities, and new/modified distribution facilities. The high-level preliminary design effort will be based on any data available from Duke Energy, City municipal facilities GIS and map data, Google Earth mapping, and field reconnaissance. Estimated construction and modification costs will be developed using a unit cost approach recognizing local contractor and material costs to the extent available. Replacement cost estimates for severance will be developed at a similar level of accuracy as those developed for the acquisition estimates (AACEI Class 5 Level - Project Definition between 0% and 2%, Concept Screening, Accuracy Ranges – Low: -20% to -50%, High: +30% to +100%).

Identify Operational Risks/Reliability Concerns

The NewGen Team will identify known or potential operational risks and/or concerns regarding the potential MEU including responses to electric outages from natural phenomena, including hurricanes. This will be a qualitative assessment of the risks based on our expertise in providing consulting services to municipally owned electric utilities in other regions of the country. Potential remedies to the identified risks will be addressed in a qualitative fashion as well to understand the impacts for the MEU compared to continued service from Duke Energy.

The NewGen Team will provide an estimate of how MEU operations would be expected to impact the electric reliability of the distribution system in comparison to Duke Energy. This will include an estimate of the potential investments that may be necessary to ensure elevated reliability based on the field investigation summary developed for this task, and the experience and industry knowledge of the NewGen Team members. The NewGen Team will develop an estimate of the implementation process for potential reliability-related investments, including appropriate timeframes and milestones, as part of the Study.

Task 2.2 – Financial Assessment

The NewGen Team will develop a Financial Model (Model) to create a projection of electric utility revenue requirements (on a cash basis) to compare the existing status quo case (continued service from Duke Energy) to the City-owned municipal utility option. The Model will be developed on an annual basis over a 30-year study period or a period consistent with typical City issued debt. The NewGen Team will utilize estimates regarding inputs and will rely on assumptions, expertise, and analysis of publicly available data for various elements of the Model, including those developed for Task 2.1 (Technical Assessments). To the extent confidential information provided by the City is incorporated into the Model, the NewGen Team will identify it as such for the purposes of this Study.

The Model will utilize an estimated asset purchase price for the delivery and customer service-related assets to be potentially acquired by the City to serve future customers. The purchase will be assumed to be financed by the issuance of debt by the City to be repaid through revenue bonds over an appropriate period of time. The Model will include estimates associated with applicable start-up costs as well as annual cash requirements for purchased power (including provision for transmission of power to City-owned substations). We will include estimates of annual expenses for operations and maintenance costs (O&M) associated with distribution, customer, and administrative functions of an operating municipal utility. Cost estimates of future capital requirements for normal renewal and replacement will be developed and included in the Model on an annualized basis as appropriate.

The Model will include additional debt issues for funding investments as necessary, such as those that may be required for working capital, inventory, or other items (in coordination with the City and specific applicable financial policies and concerns regarding risk). Cash requirements for the City-owned utility will include operating reserves, general transfers (as applicable), and potential improvements to the distribution infrastructure or various customer programs as identified and defined in the Strategic Assessment developed in Task 1. Annual cash requirements for the status quo will be included in the current estimated average rate revenue (assuming that Duke Energy rates currently recover its costs), which will be escalated based on estimates of future investment by Duke Energy utilizing publicly available information.

As part of the development of the Model, the NewGen Team will review Duke Energy invoices, contracts, and electric billing patterns provided by the City to provide insight on total City load, number, and types of customers and their average monthly electricity usage. This will also include a review of various FPSC proceedings, FERC reports, and other public sources of data, as well as potential information developed during previous City efforts.

Utilizing several aspects of the results of the Technical Assessments (Task 2.1), NewGen will develop an estimate of the comprehensive start-up, operational, and maintenance costs of the potential MEU. This will include developing an estimate of the asset value and associated severance and/or stranded costs (if applicable), start-up costs, regulatory compliance costs, customer service and ongoing O&M, creation of an annual revenue requirement for the MEU compared to continued Duke Energy service, recommended financing methodologies (see discussion below), and estimated power supply costs (wholesale power and transmission) for the MEU. A summary of selected sub-task scope items required to support the financial assessment of the MEU is provided below:

- The NewGen Team will develop a summary of the valuation of the assets to be acquired by the City to form an MEU based on the technical assessment described above, including potential costs for system improvements. This will result in an estimate of the RCLD (replacement costs) for the system acquisition which will be based on the sampling approach described herein. The NewGen Team will

work with the City to determine if an "income valuation" approach (going-concern) for the delivery assets is reasonable, and if so, will develop a "limited" income valuation based on publicly available data from Duke Energy. At the low-end, an income valuation may be zero, given the particulars of the City's eminent domain statute and Fla. Ann. Stat. §§ 73—0715. Ultimately, an income valuation would be determined as the result of a jury trial.

- A complete inventory of all the facilities that would need to be acquired, upgraded, or built to make the MEU operational and compliant with state and federal energy regulations is not included in the scope of services; however, the NewGen Team will identify those facilities and provide a summary-level estimate of their associated costs.
- A summary of the estimated costs for severance (separation), reintegration, and stranded assets (if any, see discussion below) for which the MEU may be responsible, as described in Task 2.1.
- Identification and recommendations of options and associated summary cost estimates for the MEU to develop as well as O&M services, such as crew dispatch, SCANA systems, and appropriate physical and cybersecurity-related costs. These estimates will be based on industry benchmarking and may not be specific to the City; however, where applicable NewGen will identify opportunities to leverage existing City infrastructures and/or systems (i.e., its natural gas utility).

Financing Costs

The NewGen Team will work with the City to identify the preferred type of financing for the costs associated with the acquisition of the system. Municipal electric utilities are generally financed through the issuance of revenue bonds because of their comparatively low interest cost. The revenue bondholders have a lien on the revenues of the municipal utility as security or collateral for the outstanding revenue bonds not yet redeemed. However, other options will be evaluated as appropriate.

Based on information from the previous tasks, the NewGen Team will estimate the amount of capital to be obtained through financing and the corresponding bond issuance amount considering the estimates for acquisition costs, severance costs, funding of utility reserves and operating funds, bond issuance fees, etc. This information will then be used to project annual debt service over the 30-year Study period. Publicly available indices will be used to estimate the associated interest rate.

Stranded Costs

To the extent that it has the regulatory means to do so, Duke Energy will likely seek to compel the City to compensate the utility for the reduced value of selected remaining assets resulting from the acquisition of the electric distribution facilities. For example, Duke may claim stranded generation costs due to a reduction in load. Given the nature of the wholesale power market, these claims may not be valid. Under FERC's stranded cost rule, the predicate for liability for stranded costs is the use of open access transmission service over the incumbent utility's transmission system to reach alternative power suppliers.

The possibility remains that Duke Energy might attempt to advance an *ad hoc* claim to compensation for loss of future retail revenues before the FPSC. If only as a potential element of an eminent domain damages claim, the question of "stranded cost" claims cannot be assumed away. The NewGen Team will work with the City to estimate the potential exposure the City may face due to stranded cost claims by Duke and to identify and explain potential defenses to such claims.

Start-Up/Ongoing Costs

The NewGen Team will develop estimates associated with start-up costs (including cost estimates for expenses prior to operation, as well as those for the initial phases of operation), financing-related costs, O&M costs by functional element, requirements for capital investments, and estimates of administrative and general (A&G) costs. These cost estimates will be developed based on average $/customer expenses for similarly sized/situated public utilities with which we are familiar, and/or our expertise in providing analysis of publicly owned electric utility systems. Additionally, the NewGen Team will utilize comparable data available from the City's natural gas utility as a basis for its potential MEU. Similar to the cost estimates for acquisition and severance-related issues, the NewGen Team will develop an appropriate range of costs for these elements to be incorporated into the modeling scenarios.

The NewGen Team will leverage its extensive experience with municipal utilities across the U.S. to gather cost information for the purposes of developing the projected ongoing O&M expenses. Other sources of potentially useful information that will be considered include:

- Public Power Annual Directory and Statistical Reports published annually by the American Public Power Association (APPA).
- Edison Electric Institute (EEI) and Energy Information Administration (EIA) Reports/Summaries.
- Financial and Operating Ratios of Public Power Utilities published annually by APPA.

These reports contain financial and statistical information about the operations of electric municipal utilities individually and in various groups including O&M expenses, sales information, balance sheet data, and sales statistics including number of customers and megawatt-hour (MWh) sales by customer class, revenues, key performance indicators, etc.

Model Results

The intent of the Model is to compare costs and revenues associated with operations of the City's distribution system under existing ownership (Duke Energy) and the municipalization scenario (City owned). Utilizing the projections for annual cash needs, the Model will determine an average system retail rate under both scenarios over an appropriate planning horizon. The difference between the average system retail rates will determine the potential savings associated with a municipal utility on an annual basis. The NewGen Team will project the annual average retail rate and/or net present value of projected revenue requirement assuming a City-owned electric utility, compared to those developed for continued Duke Energy ownership.

Additionally, the NewGen Team will provide a comparative analysis of the net present value of the projected total revenue requirement (total costs) under the two scenarios. The summary of results for the Model will be included in a dashboard embedded in the Model for ease of understanding, as well as to facilitate additional analyses. Additional metrics for comparing the modeling scenarios may include development of return-on-investment analysis or other industry appropriate calculations developed in coordination with the City.

As part of our analysis, the NewGen Team will identify other risks and benefits associated with the City ownership of the electric utility. These will include qualitative and quantitative descriptions of financial, operational, and technical risks to consider over the multi-year planning horizon. Risks that can be quantified will be incorporated into the Model as part of the range of potential costs associated with either scenario. To the extent that risks are qualitative, they will be included in various reports developed for the City's consideration.

Task 2.3 – Other Assessments/Activities

Task 2.3 will consist of the identification and development of detailed recommendations for addressing the legal, regulatory, and operational issues involved with the MEU, with particular attention to the evaluation of stranded costs. This will include reviewing the legal and regulatory processes necessary to acquire the electric utility distribution system, including applicable precedent, orders, and findings from the FERC, the North American Electric Reliability Council (NERC), Southeastern Electric Reliability Council (SERC), the FPSC, condemnation courts, and other venues.

As part of the Study, as required or requested by the City, the NewGen Team will define the tasks, actions, and professional services necessary to proceed with a municipalization effort specific to the Federal regulatory environment. The City will engage legal counsel to provide the Florida regulatory and legislative environment and the City will coordinate these efforts with the NewGen Team. The NewGen Team will incorporate elements from the legal analysis, described below, and the City's local counsel to develop a process road map for municipalization. This process road map will include a detailed timeline of likely and potential events and actions that will need to be addressed during the City's potential municipalization process. Further, this process road map will include "off-ramps," which are definitive milestones at which the City may choose to cease its municipalization effort. The NewGen Team will work with the City to develop and refine the process road map, as appropriate.

Task 2.4 – Legal Analysis

As part of the NewGen Team (if so requested by the City, under a separate engagement agreement), Duncan & Allen proposes to provide an analysis of the federal regulatory issues potentially implicated in the establishment of a new municipal electric utility by the City. The anticipated expiration of the City's currently effective franchise agreement with Duke Energy on December 7, 2025, (thirty years after the franchise effective date of December 7, 1995) opens alternative decisional paths for the City that include*:*

- Negotiation of a shorter-term franchise to Duke Energy incorporating an undertaking by Duke to sell the electric distribution system within the City to the City at the expiration of the renewed franchise at an agreed price or pricing formula; or
- Failing a negotiated purchase, pursuing eminent domain proceedings to acquire the electric utility facilities within the City and, as necessary, adjacent to the City. In connection with eminent domain proceedings that may be brought by the City in the Circuit Court of Pinellas County, Duncan & Allen will analyze and advise the City concerning potential proceedings initiated by the incumbent utility (Duke) before the FERC and potentially federal courts to obstruct the City's efforts in the Florida courts to acquire the electric facilities required for the City's municipal electric utility.

Duncan & Allen proposes that its analysis will include a review and explanation of the foundational federal legal issues likely to arise in the context of forming and implementing a municipal electric utility. Duncan & Allen will summarize the legal frameworks governing (a) whether and under what circumstances the City could face exposure to claims before the FERC for "stranded costs" (loss by an incumbent utility of anticipated future revenues due to the establishment of a municipal utility), (b) potential issues under the Federal Power Act relating to establishing new interconnections for delivery of electricity from sources other than Duke, and (c) responding to issues potentially raised by the incumbent utility under reliability standards promulgated by the NERC and administered by the SERC or SERC Reliability Corporation under Section 215 of the Federal Power Act.

As part of this analysis, Duncan & Allen will also identify and detail recommendations for addressing the federal legal, regulatory, and operational issues involved in acquisition and operation of a municipal utility. Additionally, to the extent requested by the City, Duncan & Allen will evaluate potential strategies for the City's negotiation of the post-2025 franchise agreement designed and intended to facilitate municipal acquisition of electric distribution facilities within the City at the termination of the post-2025 franchise (similar to Winter Park's strategy for acquiring its electric distribution system).

Task 2 Deliverables

- Draft and Final Model Results
- Draft and Final Process Roadmaps for Municipalization
- Draft and Final Legal Analysis/Summary Report (potentially under separate cover)

Task 3 – Prepare Report/Presentation

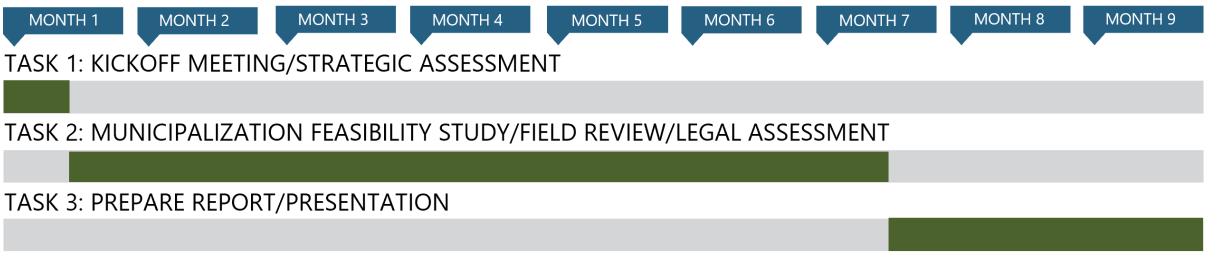
The NewGen Team will prepare draft and final reports that present the results of the Study, including potential advantages and disadvantages of City ownership of the Duke Energy electric distribution facilities, and issues associated with severance/reintegration of electric systems. Additionally, we propose to present the initial Study findings in a series of facilitated meetings to the City management team and other stakeholder groups as requested. The NewGen Team will coordinate with the City to prepare and present its findings at up to two in-person City-scheduled public meetings, which may be attended virtually by some members of the NewGen Team.

Task 3 Deliverables

- Draft and Final Reports
- Presentation of Study Findings

SCHEDULE

A summary-level proposed schedule for the Study is provided below:



COST

The NewGen Team proposes a not-to-exceed bid price for the City's Study of $504,000, as indicated in the table below.

Project Fee Proposal

Tasks	NewGen	Barr	Duncan & Allen	Total
Task 1 – Kickoff/Data Request	$10,000	$14,000	$15,000	$39,000
Task 2 – Municipalization Analysis	$100,000	$240,000	$45,000	$385,000
Task 3 – Report and Presentation	$45,000	$15,000	$20,000	$80,000
Total for Project	**$155,000**	**$269,000**	**$80,000**	**$504,000**