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Kansas City Board of Public Utilities 2023 Rate Hearing

June 2023

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William Johnson

General Manager

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GM Comments

- Welcome to Those Attending
- Purpose of Rate Hearing
- Historical Cash Positions
- Local Economic Conditions
- BPU Response to a National Pandemic
- Energy Market Conditions
- Supply Chain and Inflation Factor
- Cost Control Measures
- Reduction in Capital Construction Projects
- Historical Rate Adjustments
- Support to the Community
- Staff Presentations

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Randy Otting

Director of Accounting

RATE HEARING PROCESS

- Electric & Water Rates are driven by a Rate Study

- Formal Rate Study to evaluate rates (3 to 5 years) (Studies in 2010, 2014, 2016, 2020, 2023)
  - Past Performance & Future Projections (Costs, CIP, Growth, O&M, Capital, Financing, etc.)

- Rate Study is completed by external Engineering Consultants
  - Experts in their field with years of experience in this area
  - Water (Black & Veatch) & Electric (1898 & Co / Burns & McDonnell)

- Rate Study contains 3 major sections
  - Revenue Requirements, Cost of Service Allocation and Rate Design

- Rate setting process
  - 90-day notice required for public review (March 10, 2023)
  - Board is notified of the Rate Hearing process before publishing
  - Allow formal review and intervention for customers

RATE HEARING PROCESS - TIMELINE

Two formal public hearings are scheduled after 90 days review period

- Overseen by Administrative Judge
  - June 14, 2023 – rate hearing at 7:00 p.m.
  - June 15, 2023 – rate hearing at 9:00 a.m.
- Transcripts of the hearing are available to BPU Board and to public upon request
- Rates are approved by Board vote after hearing at a future date

PURPOSE OF THE RATE HEARING

Provides for Public Presentation

- Results, Process, Goals and Future Needs of the Utility

Opportunity for Public Review

- Formal process for Stakeholders & Community to be involved
- Review the Rate Proposal(s)
- Public Comments & Questions/Answers

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Lori Austin

CFO/CAO

GOALS OF THE BPU

- Adjust rates to equitably recover revenue from customers based on their share of the cost of service
- Offer rate design options to match customer profiles and requests of customers
- Meet financial policy targets.
- Maintain current credit rating and retain the ability to issue debt affordably

BPU PLANNING PROCESS

- Annual Budget is driven by a Long-term Strategic Plan and Electric and Water Master Plans
- Five-year Capital Improvement Plan is updated as part of the annual budget process
- Board approves an annual budget after lengthy review with management staff in preparation for new year

KEY DRIVERS FOR PROPOSED RATE INCREASES

Key financial policy metrics continue to drive need for rate adjustments

Target #1 - Cash operating reserve of 120 days of O&M expenses for Electric and 100 days for Water

Target #2 - Annual debt service coverage of 1.60 times without the inclusion of PILOT revenue

Target #3 - Annual debt service coverage of 2.00 times with the inclusion of PILOT revenue

KEY DRIVERS FOR PROPOSED RATE INCREASES (CON'T)

#1 - Inflation cost pressures maintaining financial metrics

- Inflationary increases in operating expenses and materials costs

#2 - Maintaining financial metrics

- Electric Days of Cash does not meet the target (120 days) throughout the study period without increases (With increase meet target in 2025).
- Electric Debt service coverage will drop below target (1.60 times) by 2024 with no increase (With increase will meet target in 2024)
- Water does not meet target (1.60 times) Debt service coverage until 2024 with increase

#3 - Transfer of $2.0 million capacity charges from ERC to base rates

#4 - Establish an ERC Reserve that will be funded gradually through the ERC charge to address volatility

ASSUMPTIONS USED IN DEVELOPING REVENUE AND REVENUE REQUIREMENT FORECAST

Sales and Billing Units - Electric

- Forecast load is based on a 2023 Load Forecast
- Retail sales from 2022 projections

Forecast Change in Energy Sales by Class					
Description	2023	2024	2025	2026	2027
RATE 100 - RESIDENTIAL	-0.51%	0.35%	0.35%	0.35%	0.35%
RATE 200 - SMALL GENERAL SERVICE	1.66%	0.20%	0.20%	0.20%	0.20%
RATE 250 - MEDIUM GENERAL SERVICE	3.31%	0.20%	0.20%	0.20%	0.20%
RATE 300 - LARGE GENERAL SERVICE	1.81%	0.10%	0.10%	0.10%	0.10%
RATE 400 - LARGE POWER SERVICE	3.22%	-0.25%	-0.25%	-0.25%	-0.25%
RATE 500 - SCHOOL DISTRICT	0.00%	0.00%	0.00%	0.00%	0.00%

ASSUMPTIONS USED IN DEVELOPING REVENUE AND REVENUE REQUIREMENT FORECAST

Operation and Maintenance (O&M) Expenses forecast

- Basis is 2023 Budget with allowances for inflation

Operations & Maintenance Escalation Rates				
Description	**2024**	**2025**	**2026**	**2027**
Personnel Costs	2.50%	2.50%	2.50%	2.50%
Services	2.00%	2.00%	2.00%	2.00%
Material and Supplies	2.00%	2.00%	2.00%	2.00%
Other Operating Expenses	1.00%	1.00%	0.00%	0.00%
Employee Healthcare/Medical	5.00%	5.00%	5.00%	5.00%
Retiree Healthcare/Medical	2.00%	2.00%	2.00%	2.00%

ASSUMPTIONS USED IN DEVELOPING REVENUE AND REVENUE REQUIREMENT FORECAST

Operation and Maintenance (O&M) Expenses forecast - Electric

*Excluding Fuel & Purchased Power

Electric Operation and Maintenance Forecast					
Description	**2023**	**2024**	**2025**	**2026**	**2027**
Non-ERC Capacity Purchases	$4,642,931	$4,642,931	$4,642,931	$4,642,931	$4,642,931
Production	$40,065,184	$36,785,112	$37,319,914	$37,866,458	$38,437,508
Transmission	$4,480,554	$4,543,959	$4,610,958	$4,681,392	$4,755,314
Distribution	$30,822,838	$31,227,187	$31,641,417	$32,072,522	$32,524,876
Customer Accounts	$3,514,947	$3,559,077	$3,606,481	$3,661,012	$3,718,752
Sales	$54,825	$54,825	$54,825	$54,825	$54,825
Administrative and General	$27,136,471	$27,241,958	$27,350,399	$27,458,238	$27,569,019
Less Non-cash GASB 68 Item	($840,500)	($840,500)	($840,500)	($840,500)	($840,500)
Total O&M Expense	**$109,877,250**	**$107,214,549**	**$108,386,425**	**$109,596,878**	**$110,862,725**

ASSUMPTIONS USED IN DEVELOPING REVENUE AND REVENUE REQUIREMENT FORECAST (CON'T)

Capital Improvement Program (CIP) and Financing Plan

- Baseline CIP is the 2023 budget -5-year plan 2023-2027
- Bonds to be issued in late 2023 for ~ $50M for Electric Projects
- Kansas Water Supply Loan issued in 2024 for $9.5M
- Have obtained Federal Grants for Water Projects ~ $14M
- All other capital projects will be cash financed with annual operating revenues

ELECTRIC PROJECTED CAPITAL COSTS

Five year plan has approximately $180 million in capital spending

Major Spend Categories*:

Substations = $20.4 M

Transmission = $15.8 M

Transformers = $14.5 M

OH Distribution = $52.8 M

UG Distribution = $14.5 M

Power Plants = $29.3 M

- Projects are to maintain existing assets & equipment
- Install new assets or rebuild existing assets

*More detail of projects in later slides

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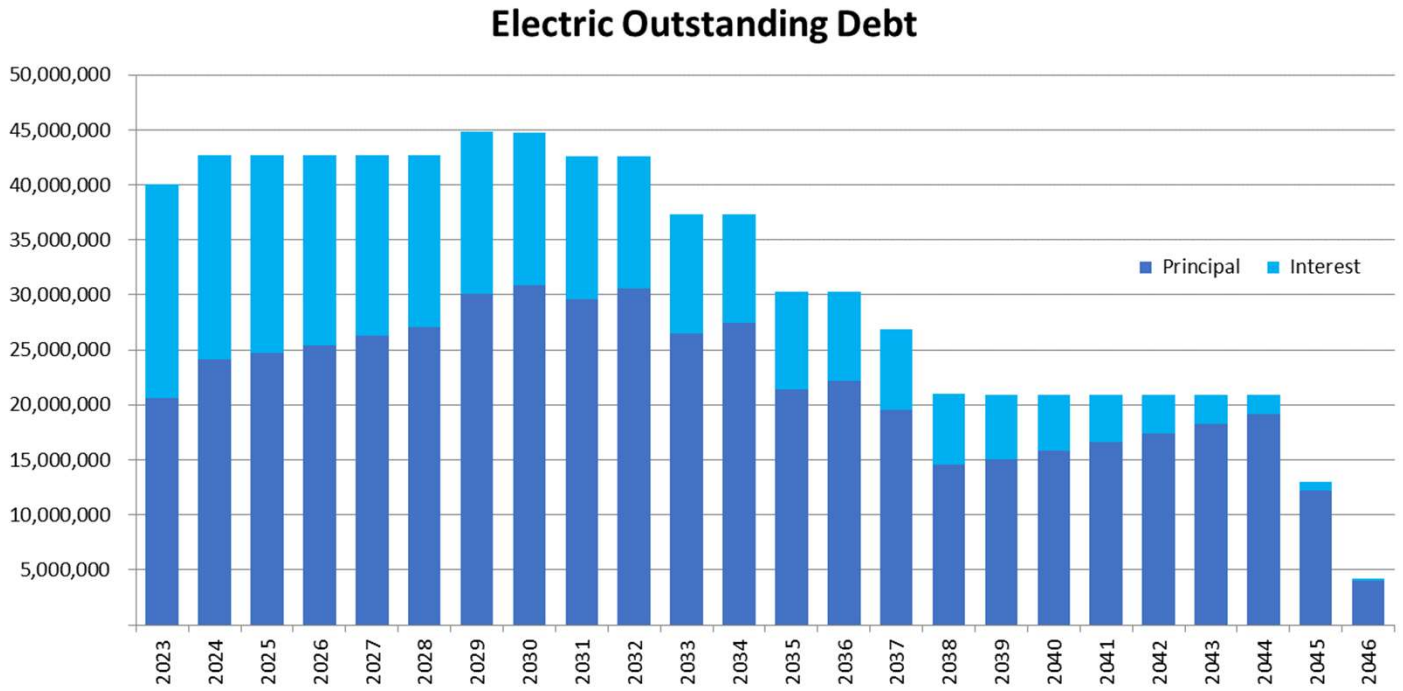
ANNUAL ELECTRIC DEBT SERVICE



FORECAST KEY FINANCIAL METRICS WITH NO RATE ADJUSTMENTS

Electric

Electric Financial Metrics Under Existing Rates						
Description	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Revenue Surplus / (Deficiency) Under Existing Rates	$ 12,930,453	$ 767,539	$ (835,770)	$ (1,075,671)	$ (12,937,820)	$ (11,855,808)
Operating Cash Balance						
Beg Balance	$ 25,619,100	$ 38,549,553	$ 39,317,092	$ 38,481,322	$ 37,405,651	$ 24,467,831
Annual Cash Flow	$ 12,930,453	$ 767,539	$ (835,770)	$ (1,075,671)	$ (12,937,820)	$ (11,855,808)
End Balance	$ 38,549,553	$ 39,317,092	$ 38,481,322	$ 37,405,651	$ 24,467,831	$ 12,612,023
Days of O&M Reserved	**82**	**74**	**76**	**72**	**47**	**24**
Target Minimum Days Cash	90	120	120	120	120	120
Annual Debt Service Coverage without PILOT Revenue						
Total System Achieved (Total Debt)	**1.85**	**1.61**	**1.48**	**1.47**	**1.54**	**1.53**
Target Minimum Coverage	1.60	1.60	1.60	1.60	1.60	1.60

ELECTRIC FORECAST KEY FINANCIAL METRICS WITH RATE ADJUSTMENTS

Electric

Electric Financial Metrics Under Proposed Rates						
Description	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Revenue Surplus / (Deficiency) Under Proposed Rates	$ 12,930,453	$ 5,612,982	$ 10,755,597	$ 12,422,116	$ 783,171	$ 2,134,842
Operating Cash Balance						
Beg Balance	$ 25,619,100	$ 38,549,553	$ 44,162,535	$ 54,918,133	$ 67,340,249	$ 68,123,420
Annual Cash Flow	$ 12,930,453	$ 5,612,982	$ 10,755,597	$ 12,422,116	$ 783,171	$ 2,134,842
End Balance	$ 38,549,553	$ 44,162,535	$ 54,918,133	$ 67,340,249	$ 68,123,420	$ 70,258,262
Days of O&M Reserved	**82**	**84**	**108**	**130**	**130**	**132**
Target Minimum Days Cash	90	120	120	120	120	120
Annual Debt Service Coverage without PILOT Revenue						
Total System Achieved (Total Debt)	**1.92**	**1.75**	**1.75**	**1.78**	**1.86**	**1.85**
Target Minimum Coverage	1.60	1.60	1.60	1.60	1.60	1.60

ASSUMPTIONS USED IN DEVELOPING REVENUE AND REVENUE REQUIREMENT FORECAST

Sales and Billing Units - Water

- Billed water volumes based on historical number of accounts and average billed usage per account
- Retail sales volumes projected to increase at an average rate of 0.38%
- Reduction in Wholesale due to changes with City of Bonner Springs

Projected Water Usage

Description	2023	2024	2025	2026	2027
Rate Class 010: Inside City Water Rate	0.38%	0.38%	0.38%	0.38%	0.38%
Rate Class 020: Outside City Water Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Rate Class 030: Wholesale Water	-3.77%	3.24%	-6.54%	-3.50%	0.00%
Rate Class 040: Private Fire Protection	0.00%	0.00%	0.00%	0.00%	0.00%

ASSUMPTIONS USED IN DEVELOPING REVENUE AND REVENUE REQUIREMENT FORECAST

Operation and Maintenance (O&M) Expenses forecast - Water

Water Operations and Maintenance Forecast					
Description	**2023**	**2024**	**2025**	**2026**	**2027**
Production	$ 7,392,500	$ 7,566,000	$ 7,743,300	$ 7,924,700	$ 8,110,300
Transmission & Distribution	$ 15,726,900	$ 16,033,500	$ 16,347,500	$ 16,668,900	$ 16,998,200
Customer Service	$ 2,235,700	$ 2,236,200	$ 2,236,700	$ 2,236,700	$ 2,236,700
General & Administrative	$ 7,169,100	$ 7,180,200	$ 7,191,600	$ 7,203,200	$ 7,215,000
Total Operation & Maintenance Expense	$ 32,524,200	$ 33,015,900	$ 33,519,100	$ 34,033,500	$ 34,560,200

ASSUMPTIONS USED IN DEVELOPING REVENUE AND REVENUE REQUIREMENT FORECAST

Operation and Maintenance (O&M) Expenses forecast

- Basis is 2023 Budget with allowances for inflation

Operations & Maintenance Escalation Rates				
Description	**2024**	**2025**	**2026**	**2027**
Personnel Costs	2.50%	2.50%	2.50%	2.50%
Services	2.00%	2.00%	2.00%	2.00%
Material and Supplies	2.00%	2.00%	2.00%	2.00%
Other Operating Expenses	1.00%	1.00%	0.00%	0.00%
Employee Healthcare/Medical	5.00%	5.00%	5.00%	5.00%
Retiree Healthcare/Medical	2.00%	2.00%	2.00%	2.00%

WATER PROJECTED CAPITAL COSTS

Five year plan has approximately $202 million in capital spending

Major Spend Categories*:

Distribution = $50.2 M

Transmission/Storage = $50.9 M

Services = $14.6 M

Water Production = $11.8 M

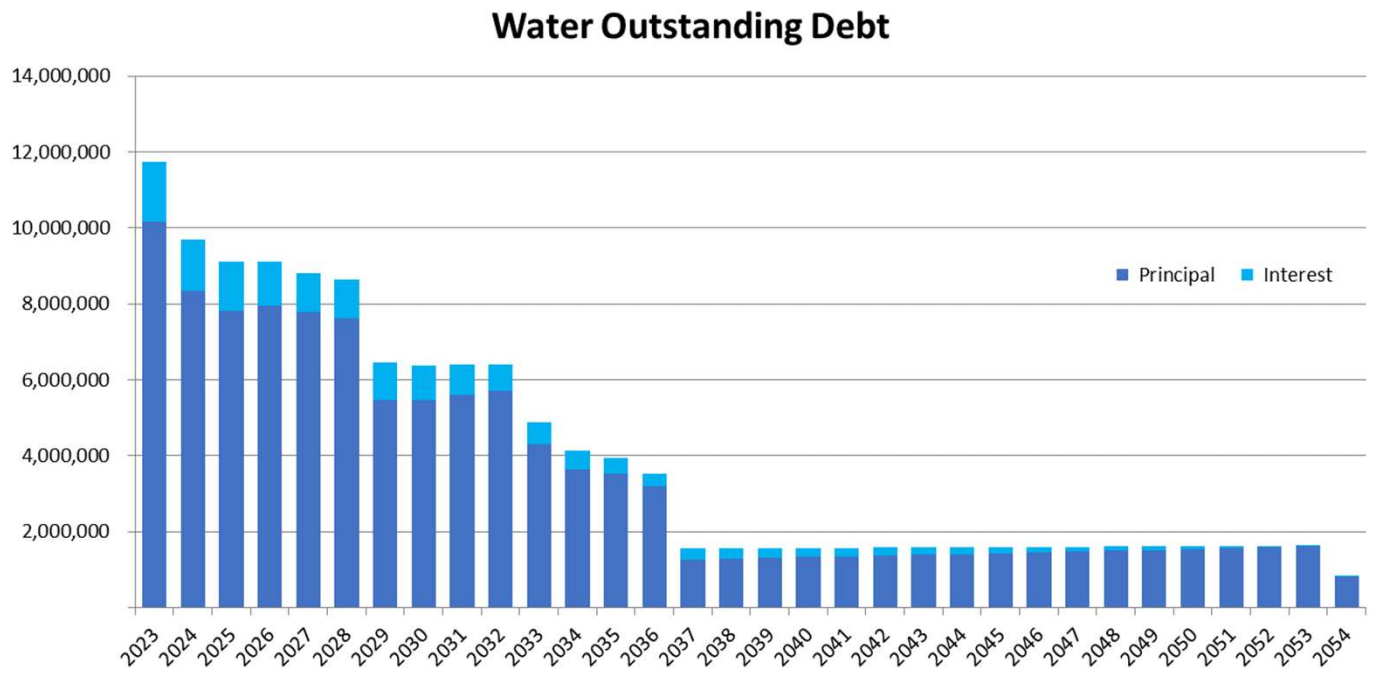
Equipment = $4.8 M

Meters = $3.8 M

- Projects are to maintain existing assets & equipment
- Install new assets or rebuild existing assets

*More detail of projects in later slides

ANNUAL WATER DEBT SERVICE



FORECAST KEY FINANCIAL METRICS WITH NO RATE ADJUSTMENTS

Water

Projected Water Financial Metrics Under Existing Rates					
Description	**2023**	**2024**	**2025**	**2026**	**2027**
Proj Revenue Surplus / (Deficiency) Under Existing Rates	$ (5,120,200)	$ (8,975,300)	$ (6,603,900)	$ (8,890,200)	$ (12,533,700)
Operating Cash Balance					
Beg Balance	$ 17,975,500	$ 12,855,300	$ 3,880,000	$ (2,723,900)	$ (11,614,100)
Annual Cash Flow	$ (5,120,200)	$ (8,975,300)	$ (6,603,900)	$ (8,890,200)	$ (12,533,700)
End Balance	$ 12,855,300	$ 3,880,000	$ (2,723,900)	$ (11,614,100)	$ (24,147,800)
Days of O&M Reserved	**144**	**43**	**(30)**	**(125)**	**(255)**
Target Minimum Days Cash	100	100	100	100	100

FORECAST KEY FINANCIAL METRICS WITH RATE ADJUSTMENTS

Water

Projected Water Financial Metrics Under New Rates					
Description	**2023**	**2024**	**2025**	**2026**	**2027**
Proj Revenue Surplus / (Deficiency) Under Existing Rates	$ (3,785,200)	$ (4,870,300)	$ 444,300	$ 1,299,500	$ 1,016,700
Operating Cash Balance					
Beg Balance	$ 17,975,500	$ 14,190,300	$ 9,320,000	$ 9,764,300	$ 11,063,800
Annual Cash Flow	$ (3,785,200)	$ (4,870,300)	$ 444,300	$ 1,299,500	$ 1,016,700
End Balance	$ 14,190,300	$ 9,320,000	$ 9,764,300	$ 11,063,800	$ 12,080,500
Days of O&M Reserved	**159**	**103**	**106**	**119**	**128**
Target Minimum Days Cash	100	100	100	100	100
Annual Debt Service Coverage without PILOT Revenue					
Total System Achieved (Total Debt)	**1.28**	**1.68**	**1.92**	**2.18**	**2.48**
Target Minimum Coverage	1.60	1.60	1.60	1.60	1.60

WHY THIS IS NECESSARY

Maintain Debt Service Coverage

- Allows for borrowing with bonds and loans to pay for long life assets

Provide for funding to implement 5-Year capital plan

Meet financial metric targets and throughout the study period

Proposal – 2.5% Electric increase to base rate in 2023 & 2024

- A 2.5% Electric base rate increase generates approximately an additional $3.7 million in revenue per year

Proposal – 6.0% Water increase to base rate in 2023 & 2024 & 2025

- A 6.0% Water increase generates approximately an additional $2.6 million in revenue per year

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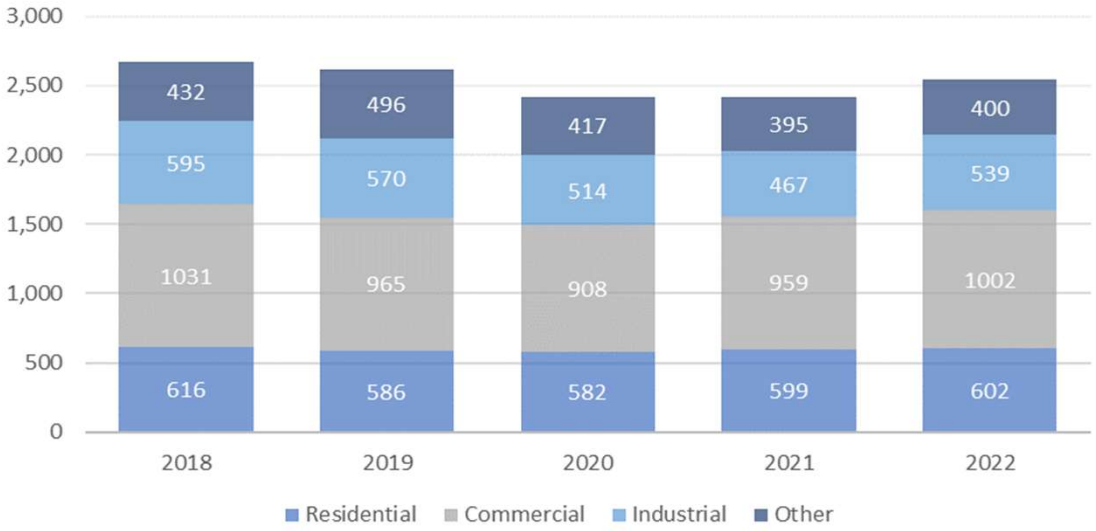
Randy Otting

Director of Accounting

ENERGY SALES/UNITS

The following table represents the Electric Division energy sales (kWh) in each of the past five years, 2018 through 2022:

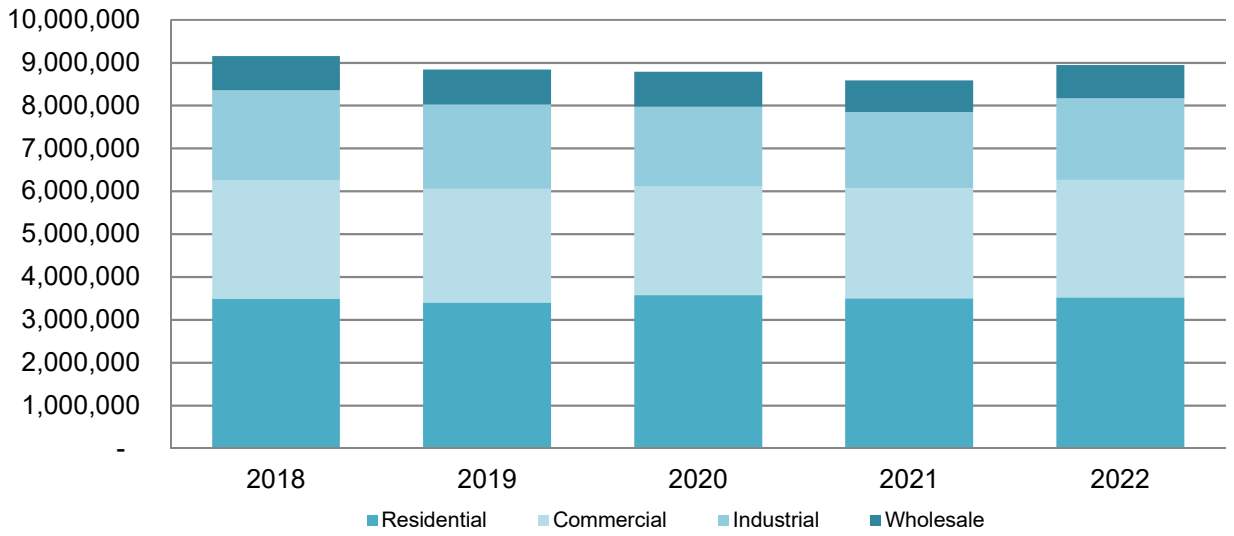


*Includes schools, highway lighting, wholesale sales, and public authorities

- 2020 COVID Dip
- Sales not fully recovered
- Industrial ~ 10% Lower

WATER SALES/UNITS

The following table represents the Water sales (ccf) in each of the past five years, 2018 through 2022:



ELECTRIC RATES

Last Electric rate change was in 2018 (Approved in 2016)

- 2-year rate adjustment (2017, 2018)
- Limited Rate design changes
    - Commercial All-Electric Heating rate design
    - Adjust Summer period to June, July, August and September
    - Increase fixed customer charges
- High Load factor rate design
- Outdoor Event lighting rate design

WHAT'S BEING PROPOSED

Residential Rate Class

- Merging of the Standard Residential 100 & Residential 101 (Electric Heat) classes into one class
- No Change for 101 (Electric Heat) customers
- Lower Rate in Winter period over 1000 kWh
- Simplify the verification & billing process

Green Rider

- Commercial & Industrial customers seeking renewable energy options.
- Helping Customers meet Corporate & ESG goals

WHAT'S BEING PROPOSED

Customer Charge

- Continuing the trend of increasing fixed billing charges to reflect cost of service and recovery of more through fixed charges.
- Following a National Trend
- Recovers costs related meter systems, billing, postage, customer service and infrastructure that connects a customer to the electric & water systems

ERC Rider

- Modifying the ERC Rider language to allow for additional recovery to build and maintain the new ERC reserve fund.

ELECTRIC PROPOSED BASE RATE ADJUSTMENTS BY CUSTOMER CLASS

2.5 PERCENT AVERAGE (SYSTEM-WIDE) - 2-YEAR

Description	2023	2024
Recommended Base Rate Increase	2.5%	2.5%
Date of Increase	July 1, 2023	July 1, 2024

Base Rate Summary		
Class	**2023**	**2024**
Residential	3.75%	3.75%
Small General Service	1.75%	1.73%
Medium General Service	1.75%	1.73%
Large General Service	1.75%	1.73%
Large Power Service	1.75%	1.73%
USD 500	2.50%	2.50%
Private Area Lighting	2.50%	2.50%

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ANNUAL AVERAGE MONTHLY ELECTRIC BILL

WATER PROPOSED BASE RATE ADJUSTMENTS BY CUSTOMER CLASS

6.0 PERCENT AVERAGE (SYSTEM-WIDE) - 3-YEAR'S

Description	2023	2024	2025
Recommended Rate Increase - Water	6.0%	6.0%	6.0%
Date of Increase	July 1, 2023	July 1, 2024	July 1, 2025
Base Rate Summary			
Class	**2023**	**2024**	**2025**
Residential	4.60%	4.80%	5.10%
Commercial	8.20%	8.70%	9.10%
Industrial	8.80%	8.80%	9.50%
Schools	8.80%	9.50%	10.10%
Private Fireline	0.10%	0.90%	0.90%
Wholesale	6.20%	6.20%	6.70%

***AVERAGE RATE ADJUSTMENTS (USAGE WILL VARY)**

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ANNUAL AVERAGE MONTHLY WATER BILL

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Steve Green

Executive Director Water Operations

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WHY WATER RATE INCREASE NECESSARY

- No Water Rate Increase since 2013 – 10 Years
- Increases in Operation and Maintenance Expenses
- Replace Aging Infrastructure
- Needed Improvements for Water System Reliability
- Cash Reserves to meet Financial Guidelines
- Capital Cost increases due to material and labor inflation

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WHY WATER RATE INCREASE NECESSARY

Price Increases since last rate increase in 2013

- Major Economic Indices
  - ENR Building Cost Index - Increased 41 % over 10 years
- Contractor Bid Price Increased 70 % over 10 years
- Average Pipe Material Cost Increased 290 % over 10 years
- Chemical Cost increased 80 % over 10 years
- Operations expense increased 23 % since 2017

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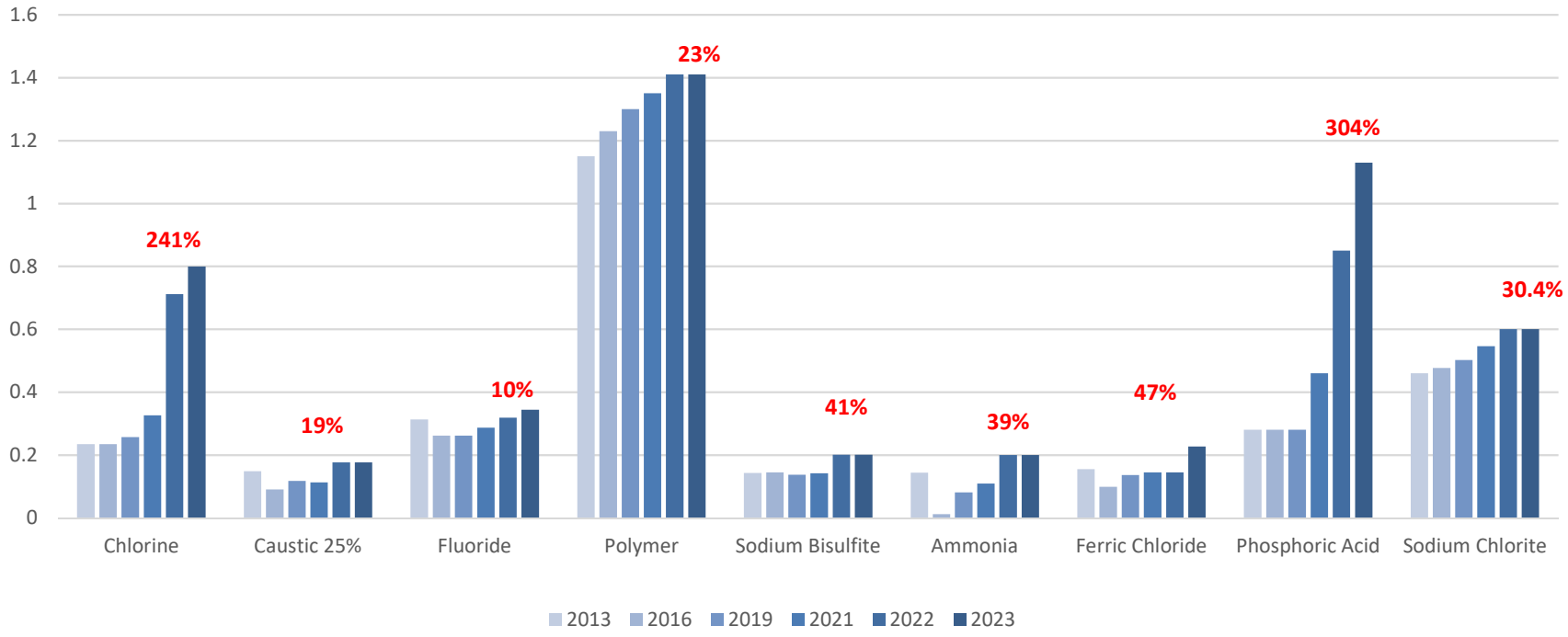
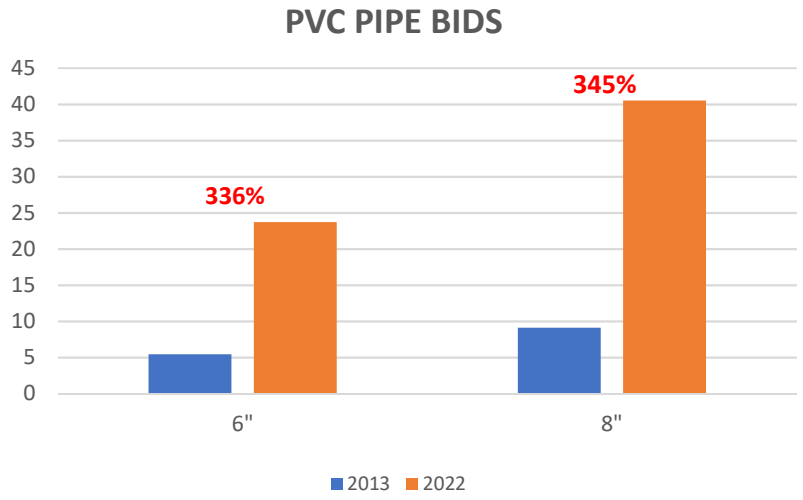
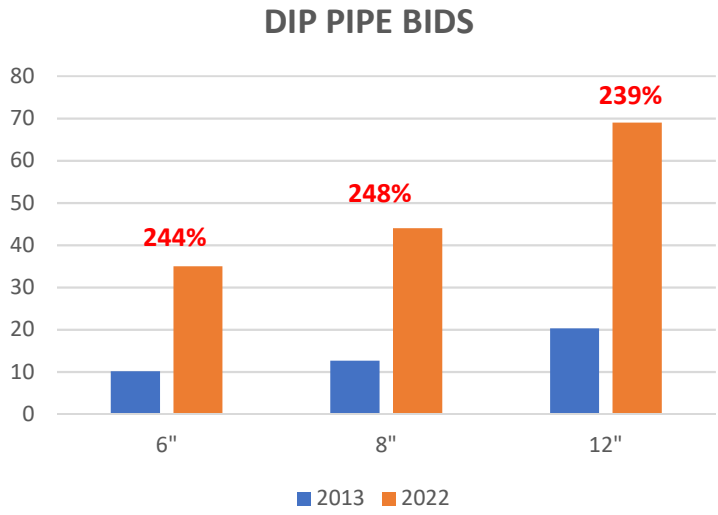
10 Year Trend - Chemicals

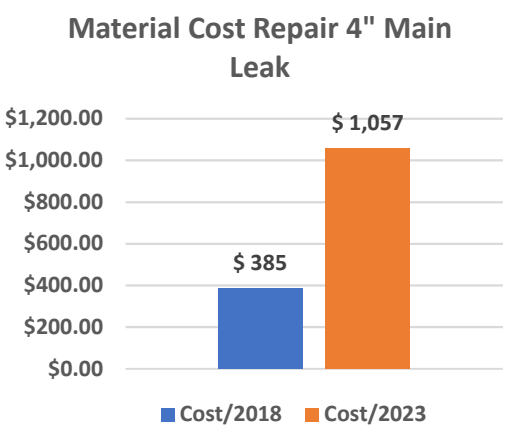


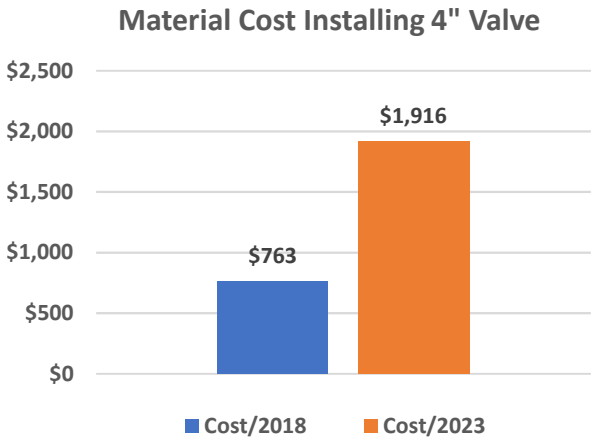
Supplies & Material Costs

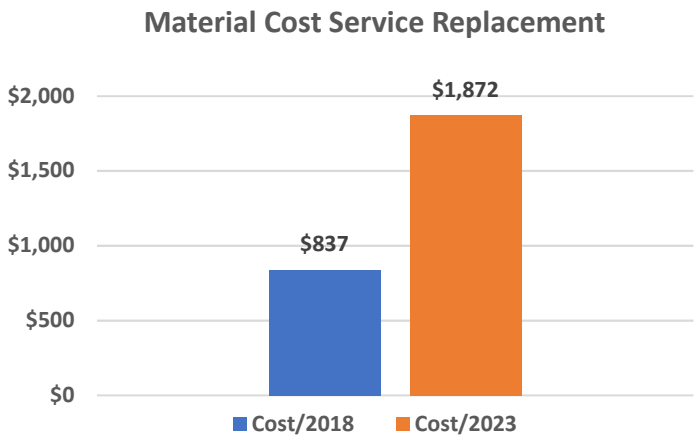




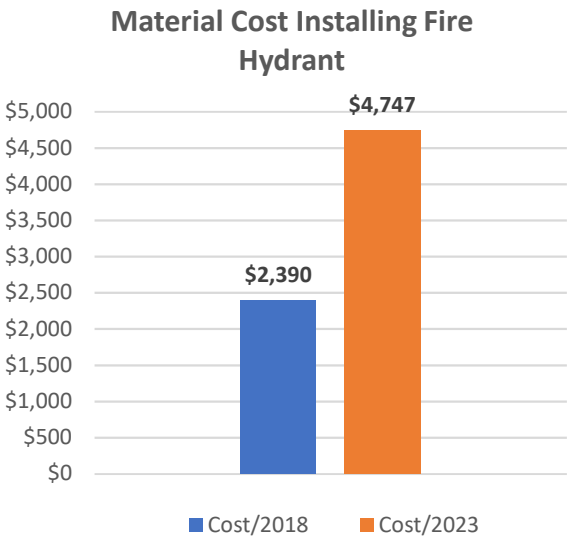
Supplies & Material Costs

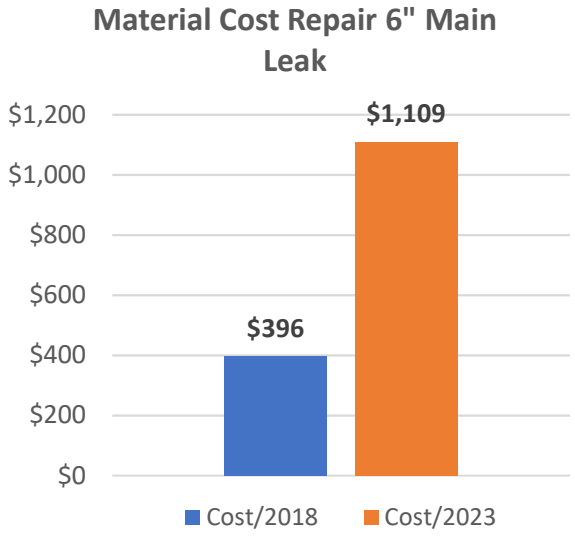


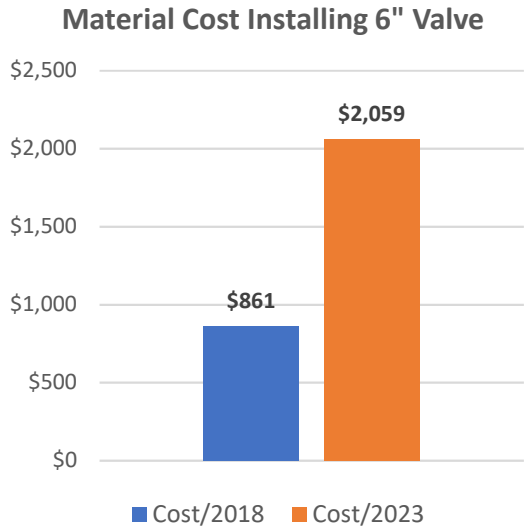




Supplies & Material Costs (con't)







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ANNUAL ONGOING WATER OPERATIONS CIP

Water Distribution System Improvements - $9.6 Million

Fire Hydrants and Valves - $4 Million

Water Services - $2.3 Million

Water Meters - $2.3 Million

Water Work Equipment, Automobiles and Tools - $2.7 Million

Water Facility and Equipment Improvements - $2.1 Million

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WATER – CAPITAL PROJECTS

7 Million Gallon Reservoir at Argentine Pump Station - $14.5 Million

- Improve reliability for the Argentine and the Direct system

Pump Station Controls and Storage Improvements - $2.4 Million

- Replace aging electric switchgear and variable frequency drives at Parallel Pumping Station

Water Main Leaks Replacement Program - $20 Million

- Replace aging water mains to reduce our main leaks
- Improved water supply and fire protection

Nearman Water Treatment Plant Generator - $5 Million

- Improve system reliability during power outages

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WATER – CAPITAL PROJECTS

Replace 24-inch Main at 12th Street & Kansas River - $6.5 Million

- Exposed water transmission main in the Kaw River due to erosion

24” Install Transmission Main - $4 Million

- Improve transmission reliability in Parallel system

18th Street Bridge Transmission Main Replacement - $4 Million

- KDOT is replacing bridge – starting in 2025
- 24-inch transmission water main is installed on bridge

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Darrin McNew

Executive Director of Electric Operations

Supplies & Material Costs

Category	% Price Increase since 2018
Polemount Transformers	100%
Wood Poles	56%
Concrete Poles	49%
Wire and conductor	61%
Insulators	66%
Crossarms	101%

Category	% Price Increase since 2018
Padmount Transformers	175%
Conduit	349%
Rebar	88%
Enclosures	58%

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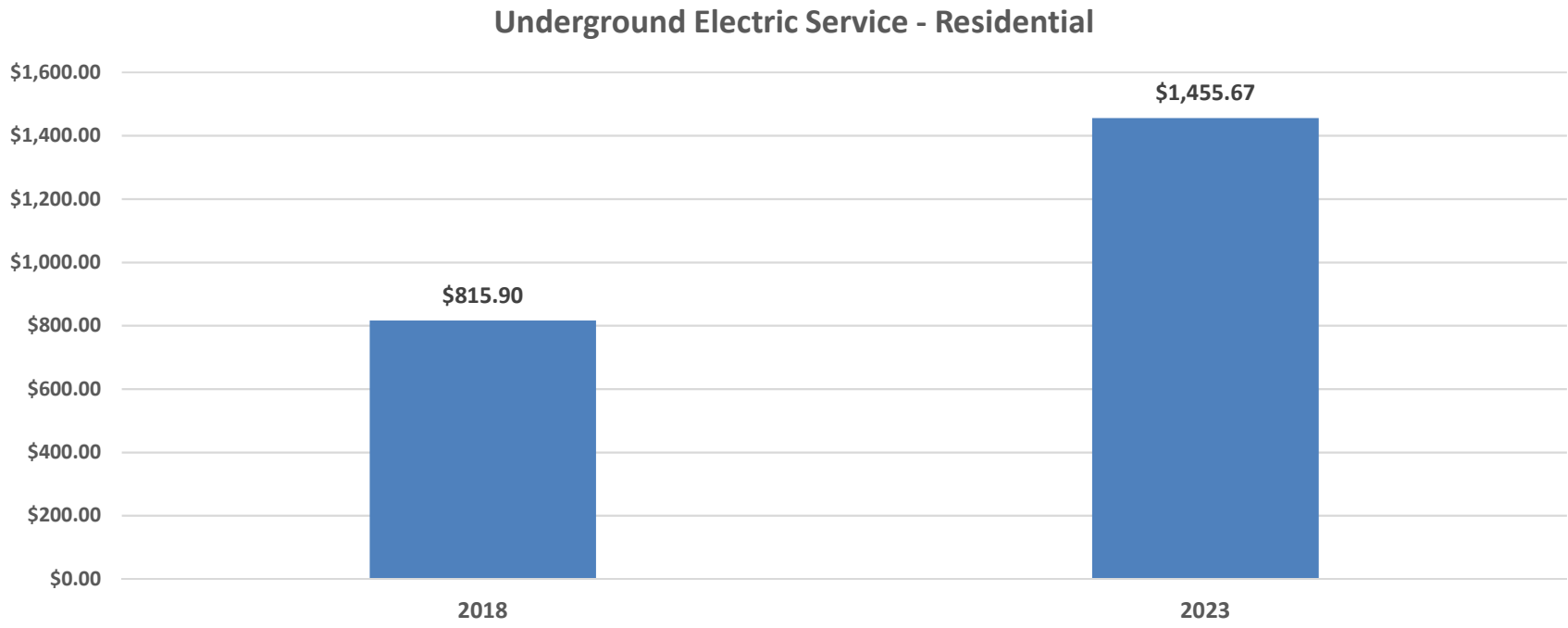
Supplies & Material Costs



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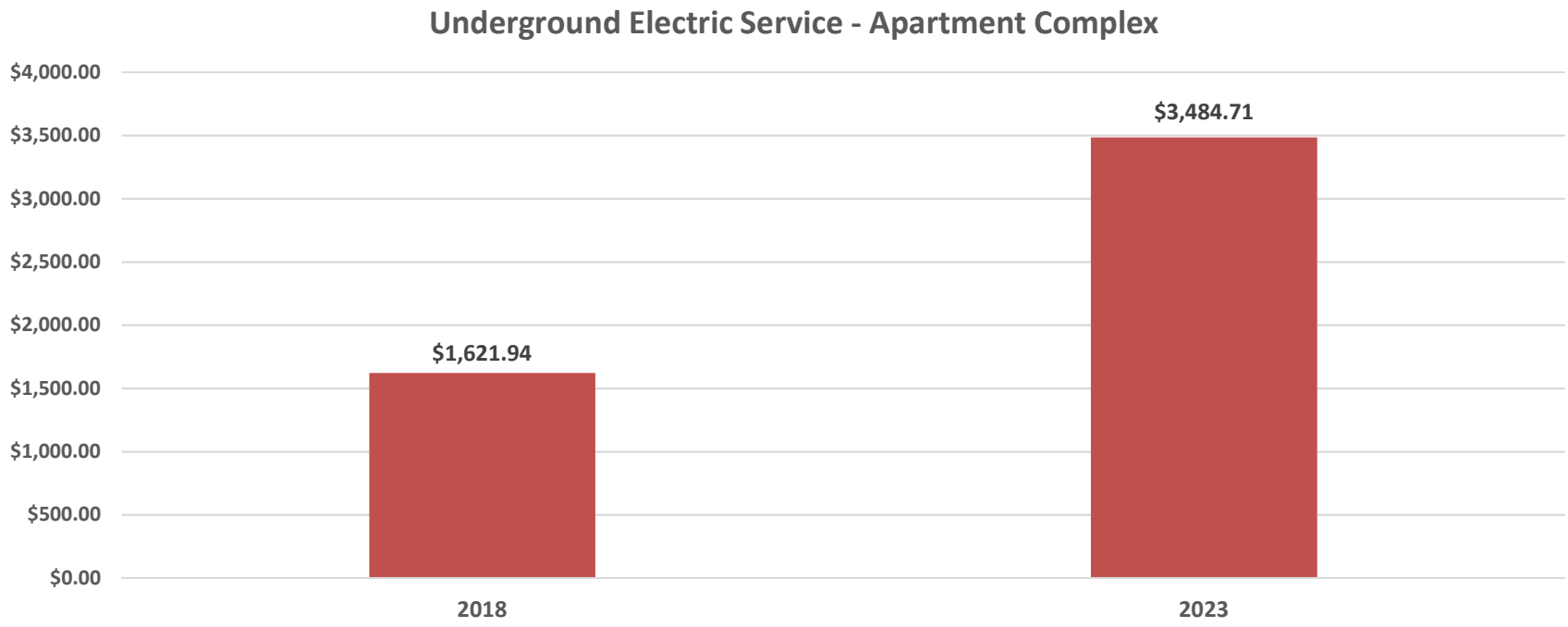
Underground Electric Service



ELECTRIC OPERATIONS CIP SUMMARY

- Electric Transmission - $15.8 Million
- Electric Substations - $20.5 Million
- Electric Overhead Distribution - $52.8 Million
- Electric Underground Distribution - $14.5 Million
- Electric General Construction - $7.3 Million
- Electric Transformers - $14.5 Million
- Electric Meters- $5 Million

TRANSMISSION

Nearman to Quindaro 161kV Line - $2.9 million

- Improve reliability for eastern side of the system
- Meet system reliability requirements mandated by North American Electric Reliability Corporation (NERC)

Transmission Line Rebuild Projects - $3.65 million

- Replace aging transmission infrastructure and increase transmission system reliability

SUBSTATION

Mill Street Substation Rebuild - $1.4 million

- Retire two aging 69kV substations
- Done in conjunction with customer facility expansion

Speaker Substation Rebuild - $13.6 million

- Improve reliability for customers around I-70/635 interchange
- Reconfigure transmission system to improve overall reliability

Kaw West Substation Expansion - $1.8 million

- Additional redundancy for customers
- Meet demand of new economic development in Turner Diagonal area

OVERHEAD DISTRIBUTION

OH Distribution Improvement and Automation - $13 million

- Construct additional distribution feeder circuit ties
- Install distribution automation equipment
- Address worst performing circuits and lower SAIFI/SAIDI

Pole Inspection and Replacement - $16.75 million

- Inspect and treat wood poles to prolong useful life
- Replace poles that fail inspection
- Improve system reliability and public safety

Piper Feeder Project - $13.3 million

- Meet demand of new economic development

UNDERGROUND DISTRIBUTION

Underground Distribution Improvement - $11.4 million

- Replace aging underground infrastructure
- Construct additional underground circuit ties
- Install underground switches and other equipment
- Improve the restoration speed for customers served by underground circuits

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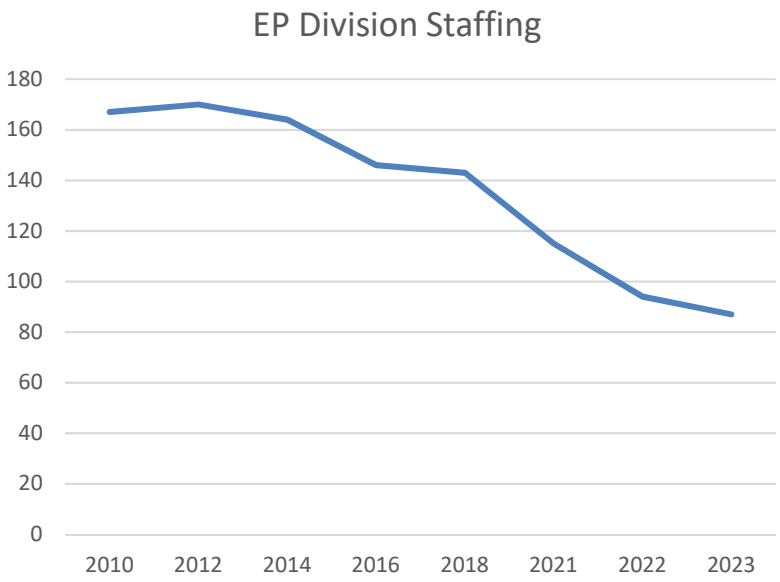
Glen Brendel

Executive Director of Electric Production

EP – OPERATION & MAINTENANCE (O&M) AND CAPITAL IMPROVEMENT (CI)



Electric Production staffing

- Presently at 85 management and craft employees.
- 4 Vacant positions.
- Continuing effort to right size staffing.

- Total O&M expense at approximately $30M/yr. to 2027 excluding fuel

EP – OPERATION & MAINTENANCE (O&M) AND CAPITAL IMPROVEMENT (CI) (CON'T)

Capital expense - $9M a year thru 2027

Major Capital expenditures Nearman 1:

- Catalyst layer replacements thru 2027 @ $2.5M
- Pulse Jet Fabric Filter Replacement @ $2.5M
- Coal Nozzle Replacement 2023 @ $2.1M
- Heater #5 replacement 2024 @ $900K
- MCC Load Center replacements @ $575K

Major Capital expenditures CT2, CT3, and CT4

- CT2 Control system upgrade 2025, @ $635K
- CT3 Control system upgrade 2025, @ $635K
- CT4 Control system upgrade 2024, @ $965K

Dogwood Capital expense share thru 2027 @ $2.16M

EP – WHAT IS THE FUTURE PLAN?

EP Staffing

- Continue to right size staffing (manage attrition)

EP Operating Costs

- Remain at existing levels

EP Capital Improvement

- Maintain compliance related systems for compliance (i.e. Catalyst, PJFFF components)
- Replace obsolete control systems for combustion turbines

Future Electric Generation

- Ongoing Engineering studies to determine generation capacity needs for service territory.

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Andrew Ferris

Director of Financial Planning

ELECTRIC SUPPLY

Market Changes

- Increased market activities
- Greater market volatility

Supply Portfolio

- Approximately 45% of electric generation and 60% of retail sales come from Carbon Free Sources

Load

- Electrification will likely drive modest load growth in the near term however is expected to steepen over the long-term, partially negated by increased Distributed Energy Resources (DER) adoption

ENERGY RATE COMPONENT

Energy Rate Component (ERC)

- The ERC is a rider meant to provide for the recovery of the Utility's power supply costs. These costs are predominantly made up of fuel, purchase power, reagents, and Regional Transmission costs.
- As part of some Purchase Power Agreements the BPU pays a capacity charge associated with that resource. Currently $2.6 million of those capacity payments are recovered as part of the Base Rates. Staff is recommending to re-allocate an additional $2 million in capacity payments to Base Rates. This will act as a reduction of $2 million annually in ERC cost recovery items.
- Due to the volatility within the fuel and purchase power costs over the past few years staff is recommending establishing a reserve fund to cover up to 120 days of ERC expenses.

GREEN RIDER

Green Rider

- The Green Rider is a program designed to provide large customers the ability to source up to 100% of their annual load with Renewable energy.
- This program is expected to have a net neutral impact on non-participants.
- Staff will work closely with potential participants to determine potential renewable projects that most closely match the goals of those participating, including cost, quantity, timing, type, project length, etc.
- The goal is to provide a mechanism to allow those large customers that have sustainability goals the flexibility and the means to meet those goals in a cost effective manner.

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CONCLUSION

- Improve debt coverage
- Maintain day's cash for Operating & Maintenance
- Support Capital improvements for new growth and development
- BPU rates are competitive with peer's
- Refer to handouts for more information

**Additional info – see Board of Public Utilities website – (bpu.com)