



Rochester Public Utilities Board Meeting 2023 Recommended Budget

August 10, 2022



Strategic Alignment

- Reliability: Obligation to Serve
- Rates: Affordability, Sustainable
- Responsibility: Sustainability, Safety & Compliance
- Reputation: Community Involvement
- Relationships: Customer Intimacy





Rochester Public Utilities - Financial Strategy

Cost Based Rates

- Financial Stability - Alignment of fixed and variable cost with fixed and variable rates – **Economic Vibrancy and Growth**
- No subsidization between Rate Classes (Cost Causation)
- Reduce subsidization within Rate Classes (Cost Causation)
- Rates that promote conservation and reduce costs (Demand Reduction)

Regionally Competitive

- Enrich People's Lives – **Economic Vibrancy and Growth**
- Help Businesses Prosper – **Economic Vibrancy and Growth**
- Promote Community Welfare – **Affordable Living**

Provide Resources

- Rates - AA Bond Rating, Targeted Income, Debt Coverage, Equity %
- Reputation – Community Service, Engagement, Contribution to the City
- Responsibility – Conservation, Education, Safe Operations, Compliance
- Reliability - Unusual Events (Ice Storm/Pandemic), Replacement of Infrastructure, Growth and Maintenance
- Relationships – **Quality City Services** (People & Systems)

Water Utility Budget 2023 - 2027





Rochester Public Utilities - Water Utility – 2023 Operating Budget

ASSUMPTIONS

- Interest Earnings Rate: 1.25%
- Average Salary Expense Change: 2.40%
(Consists of COLA, merit and promotion increases)
- Change in Full-time Equivalents: No Additions
- Minimum Cash Reserve Requirement: Policy \$7,367,400

RETAIL REVENUES / SALES

- Revenue Adjustments: 5.00% Proposed General Rate Increase
Cost impact to the average customer is \$0.72 per month
- Water CCF Sales Forecast: 3.0% Increase from 2022 Projected Sales
- Total Water Utility Customers: 1.0% Increase over Y/E 2022 Projected Customers
- Forecast Based on Normal Weather: 538 Cooling Degree Days,
27.85 Inches Summer Rainfall

OTHER ITEMS

- In Lieu of Tax forecast increasing \$28,320 to total of \$438,287. (Assumes 8% CPI in 2022)

Business Drivers

- Water main replacement Plan / Aging Infrastructure
- Marion Rd Duct project
- Meter Infrastructure Replacement
- Water conservation programs, education
- Weather – Rain Fall, Cooling Degree Days
- City related City projects impact – Timing, Funding, Contribution in Aid

Business Risks

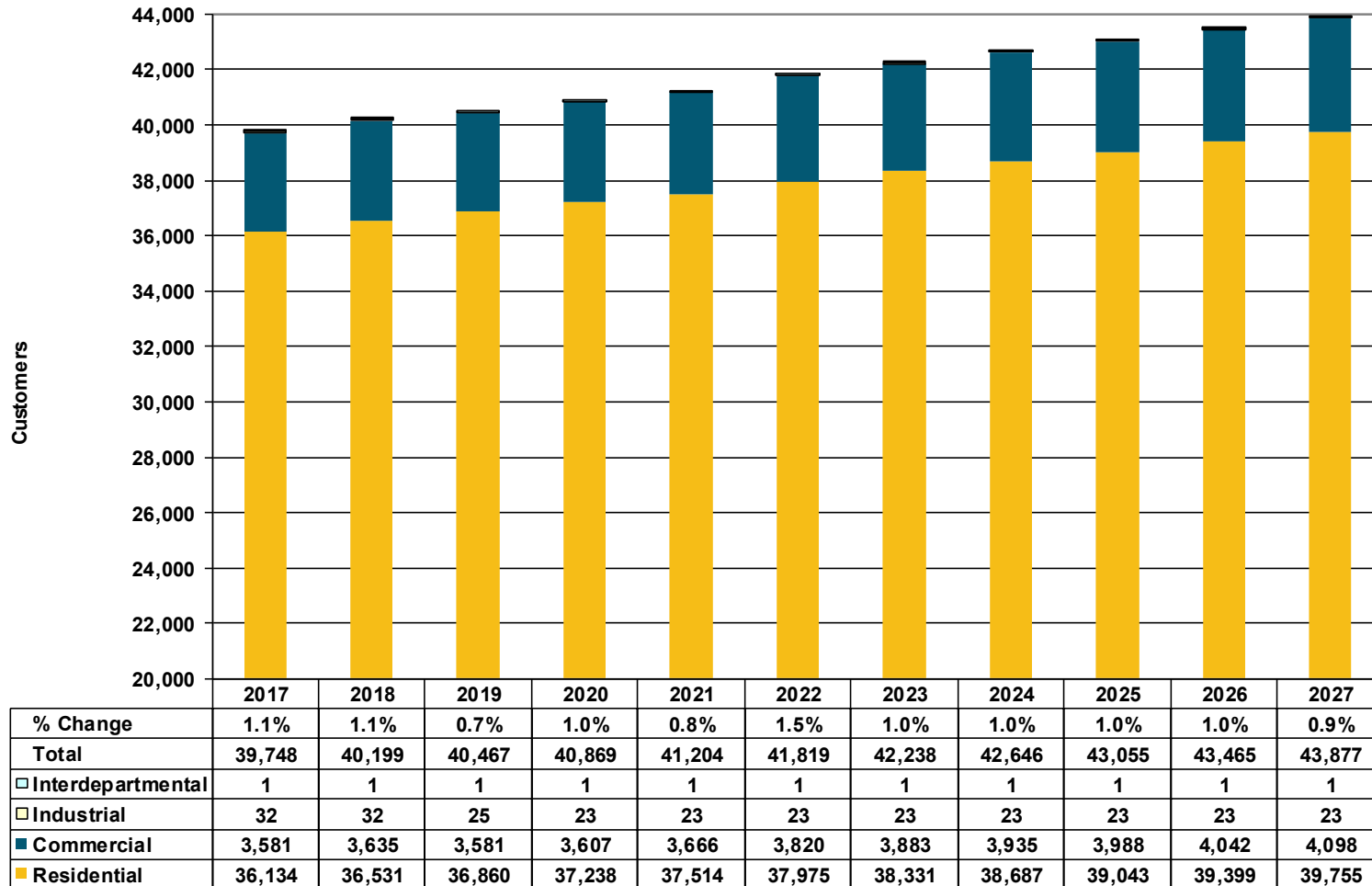
- Ground water supply dependent – Continued monitoring
- Incremental regulation – water testing, backflow monitoring, DNR Permitting
- Cell Tower rental revenue
- Technology – Smart Meter Infrastructure, Technology Change, Cyber Security





Water Utility Number of Customers

2017-2021 Actual, 2022 Forecast, 2023-2027 Budget

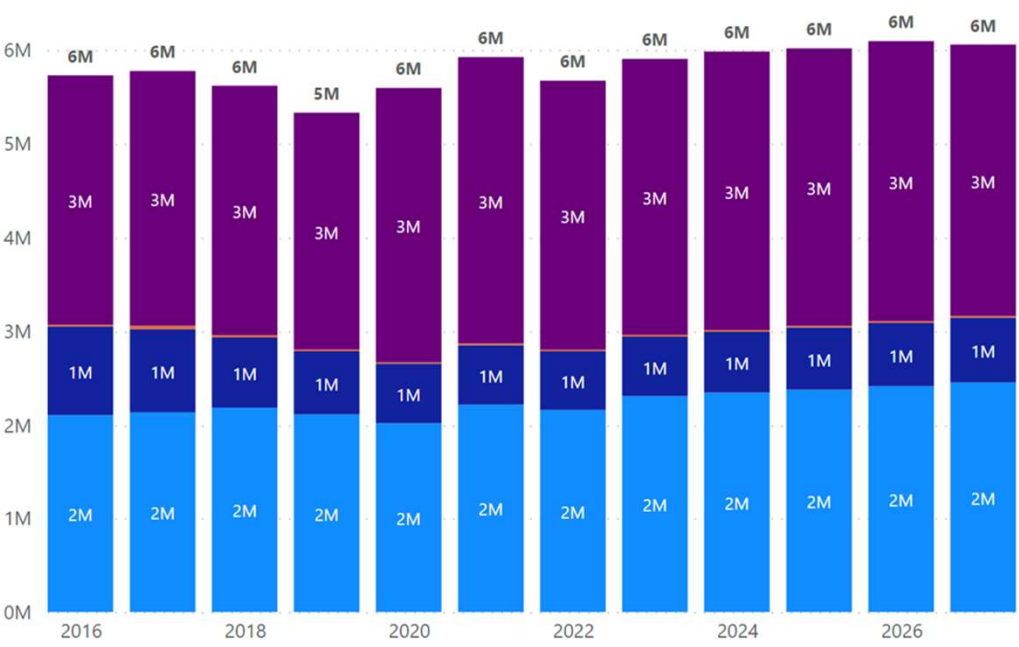




2023 Budget Forecast - Water

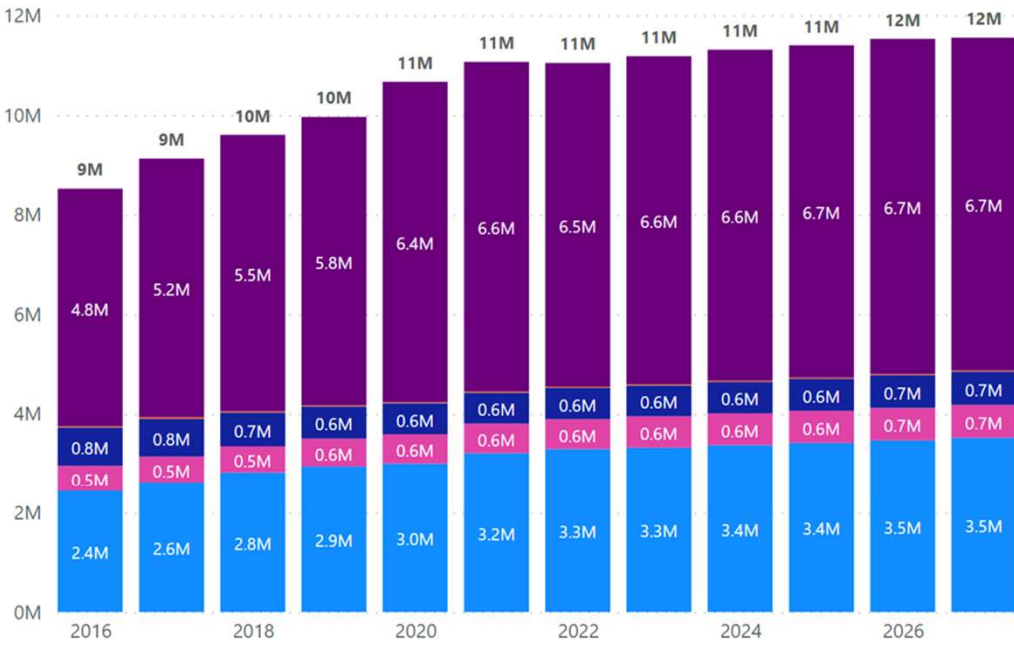
Total CCF

Class Commercial Industrial Inter - Dept Residential



Revenue (\$)

Class Commercial Hydrant Industrial Inter - Dept Residential



Budget Drivers – 2023

- Continued investment in system to maintain reliability, improve service and safety, and serve City expansion
- Capital Expenditures in 2023
 - Meter/ERT Replacement \$ 1,200K
 - Distribution System \$ 915K
 - Marion Road Duct Project (Water Cost Share) \$ 665K
 - 1.0MG Baihly High Level Tower (WAC) \$ 530K (2023-2025: \$4,030K)
- Major Maintenance
 - Water Storage Facility Painting \$ 295K
 - Service Assured \$ 213K

(WAC – Water Accessibility Charge)



Water Utility

Capital & Major Maintenance Adjustments

- 2023 Capital Changes:

Allocation reductions	(\$ 636,250)	
AMI Metering 2023 – 2027	(\$ 14,700,000)	
Meter Replacement 2023- 2027	\$ 6,000,000	(\$1,200,000/Yr)
- Reduced 2023 Major Maintenance

\$ 86,300

- Reduced 2023 Cost Centers

\$ 7,000

- AMI Debt Service 2024 – 2033

(\$ 2,400,000) Annually



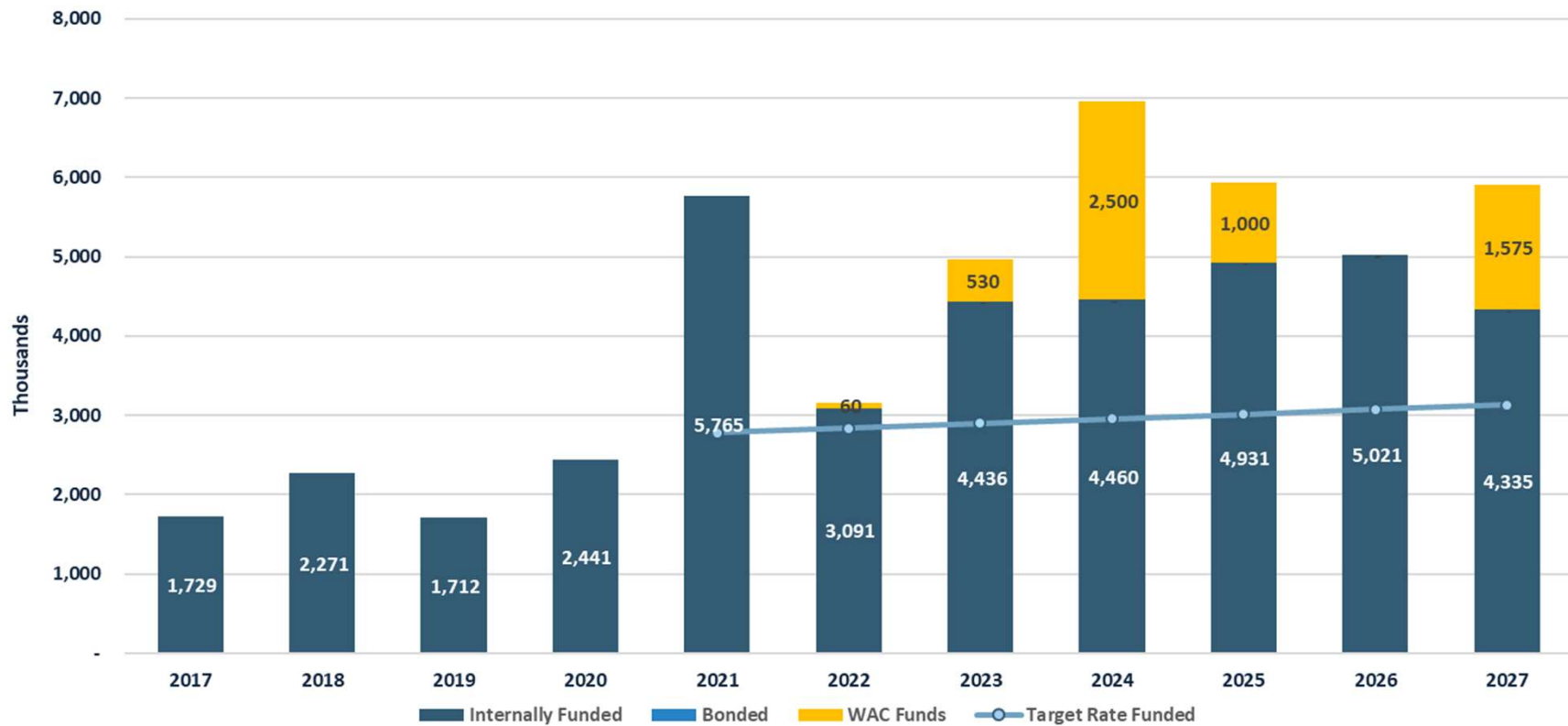


Water Utility - Capital Budget Adjustments

	Description	2022	2023	2024	2025	2026	2027
	Internally Funded Capital Requests	4,532,500	3,872,533	4,082,605	5,725,030	5,475,635	4,268,999
	1.0MG Baihly High Level Tower		(1,500,000)	1,500,000			
	WAC Funds		1,500,000	(1,500,000)			
	Alloc-T&D Developer Projects		(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
	Alloc-T&D RPU Projects		(586,250)	(647,500)	(1,943,550)	(964,500)	(550,000)
	Alloc-City Projects			(125,000)	-	(640,000)	(534,225)
	AMI - Water - Removed		(80,131)	(3,351,233)	(4,213,858)	(3,961,532)	(3,103,096)
	Bonded Capital Adjustment		80,131	3,351,233	4,213,858	3,961,532	3,103,096
	Meter ERT Replacement - Added		510,000	510,000	510,000	510,000	510,000
	Meter Replacement - Added		690,000	690,000	690,000	690,000	690,000
	Total Adjustments	-	563,750	377,500	(793,550)	(454,500)	65,775
	Internally Funded Capital Expenditures	4,532,500	4,436,283	4,460,105	4,931,480	5,021,135	4,334,774
	Target Capital Expenditures	2,839,261	2,896,046	2,953,967	3,013,046	3,073,307	3,134,774
	Over (Under)	1,693,239	1,540,237	1,506,138	1,918,434	1,947,828	1,200,000



Water Utility Capital External Spending 2017-2021 Actual, 2022 Forecast, 2023-2027 Budget





Water Utility 2023 Operating Budget

FORECAST BY YEAR, 2022 THROUGH 2027
(\$000'S)

Forecasted Rate Change	2.5%	5.0%	5.0%	5.0%	5.0%	5.0%
	2022*	2023	2024	2025	2026	2027
1 Total Revenues	12,979,836	13,734,238	14,500,590	15,260,082	16,111,373	16,875,472
2 Total Cost of Revenue	2,059,461	2,022,683	2,052,956	2,065,544	2,087,253	2,091,039
3 Total Gross Margin	10,920,376	11,711,555	12,447,634	13,194,538	14,024,120	14,784,433
4 Total Operating Expenses	5,416,033	5,558,192	5,532,699	5,931,367	6,388,802	6,593,015
5 Total Capital Expenditures	4,592,500	4,966,283	6,960,105	5,931,480	5,021,135	5,909,774
6 Net Other Operating Expenses	(138,644)	(343,804)	(2,081,557)	(932,897)	103,390	(569,146)
7 Total Operating Expenses	9,869,889	10,180,671	10,411,247	10,929,950	11,513,327	11,933,643
8 Net Operating Income (Loss)	1,050,487	1,530,884	2,036,388	2,264,588	2,510,793	2,850,790

* 2022 forecast contains 5 months actuals and 7 months forecast for components of Gross Margin, and 4 months actuals and 8 months forecast for operating expenses and capital and major maintenance projects.



Water Utility 2023 Operating Budget

FORECAST BY YEAR, 2022 THROUGH 2027
(\$000'S)

Forecasted Rate Change	2.5%	5.0%	5.0%	5.0%	5.0%	5.0%
	2022*	2023	2024	2025	2026	2027
9 Total Financing & Non-Operating Items	169,984	143,412	140,561	140,677	141,047	150,289
10 Income Before Transfers or Cap Contributions	1,220,470	1,674,297	2,176,948	2,405,265	2,651,840	3,001,079
11 Transfers (In Lieu of Taxes)	(409,967)	(438,287)	(470,731)	(492,326)	(508,603)	(515,685)
12 Capital Contributions	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
13 Cash Transfers from City/Intercompany	156,208	530,000	2,500,000	1,000,000	-	1,575,000
14 Change in Net Assets	2,066,712	2,866,009	5,306,217	4,012,938	3,243,238	5,160,395
15 Change in Net Assets (Excl Contrib & Tfrs)	810,504	1,236,009	1,706,217	1,912,938	2,143,238	2,485,395
16 Target Change in Net Assets	5,159,113	5,369,924	6,991,863	7,253,079	7,490,327	7,759,611
17 Excess (Deficit) from Target	(4,348,609)	(4,133,915)	(5,285,646)	(5,340,141)	(5,347,089)	(5,274,216)

* 2022 forecast contains 5 months actuals and 7 months forecast for components of Gross Margin, and 4 months actuals and 8 months forecast for operating expenses and capital and major maintenance projects.



Water Utility 2023 Operating Budget

FORECAST BY YEAR, 2022 THROUGH 2027
(\$000'S)

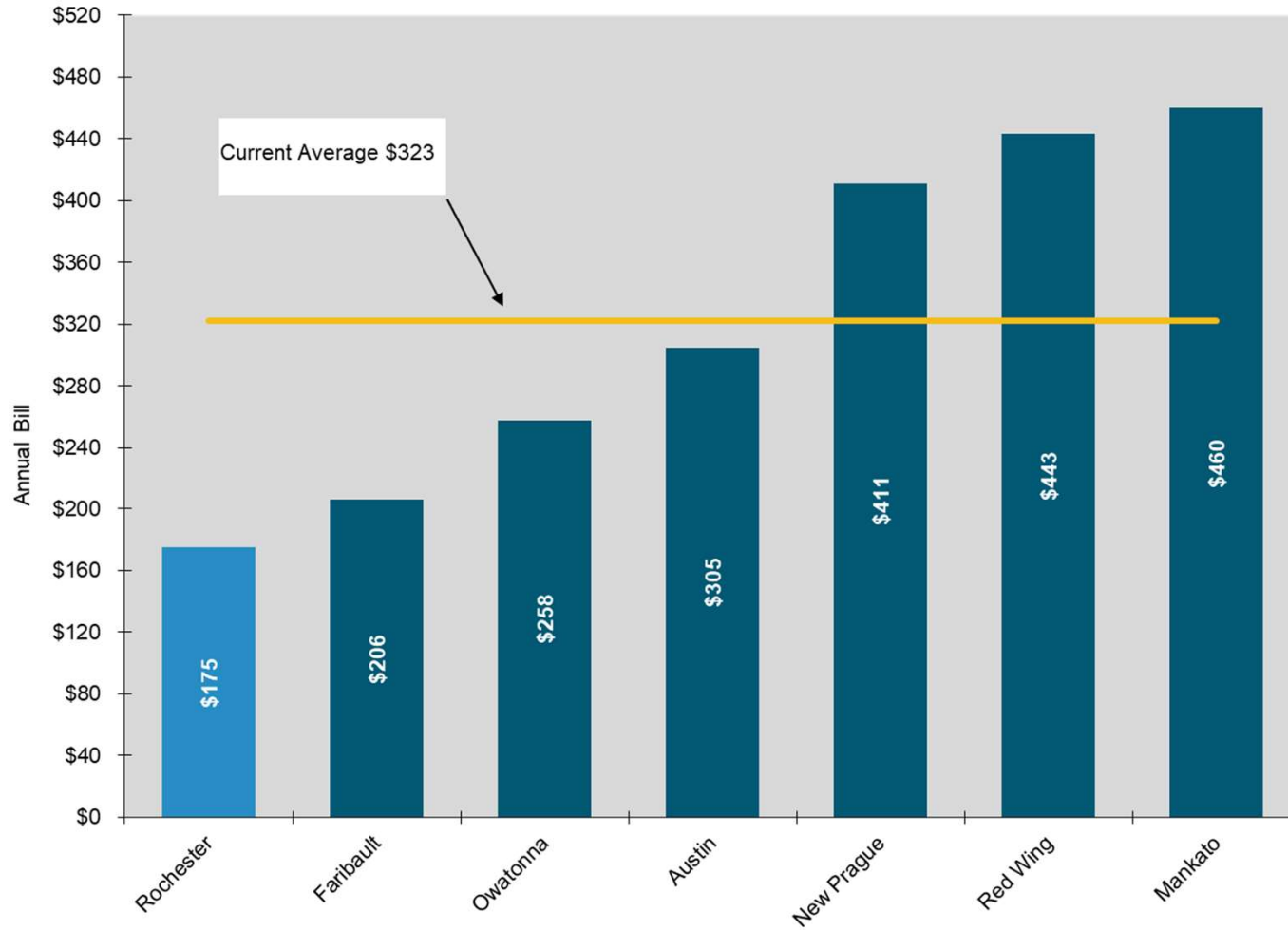
Forecasted Rate Change		2.5%	5.0%	5.0%	5.0%	5.0%	5.0%
		2022*	2023	2024	2025	2026	2027
18	01/01 Cash Balance	12,902,983	11,825,096	11,264,302	11,365,962	11,283,004	11,425,632
19	Cash From Operations	5,031,643	5,987,009	8,519,217	7,298,938	6,652,238	8,693,395
20	Capital Additions	(4,975,433)	(5,447,804)	(7,317,557)	(6,281,897)	(5,409,610)	(6,248,146)
21	Debt Principal Payments	-	0	-	-	0	-
22	Debt Proceeds	-	-	0	(0)	(0)	(0)
23	Non-Cash Contributions	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)
24	Net Change in Other Assets/Liabilities	(34,097)	(0)	-	(0)	0	-
29	Net Changes in Cash	(1,077,887)	(560,794)	101,660	(82,958)	142,628	1,345,248
30	12/31 Cash Balance	11,825,096	11,264,302	11,365,962	11,283,004	11,425,632	12,770,880
31	Minimum Cash Reserve	6,473,800	7,367,400	7,279,600	7,136,300	6,982,800	6,966,300
32	Excess (Deficit) from Minimum Cash Reserve	5,351,296	3,896,902	4,086,362	4,146,704	4,442,832	5,804,580

* 2022 forecast contains 5 months actuals and 7 months forecast for components of Gross Margin, and 4 months actuals and 8 months forecast for operating expenses and capital and major maintenance projects.



Residential Class Water Rate Comparison

(Jan '21 through Dec '21)

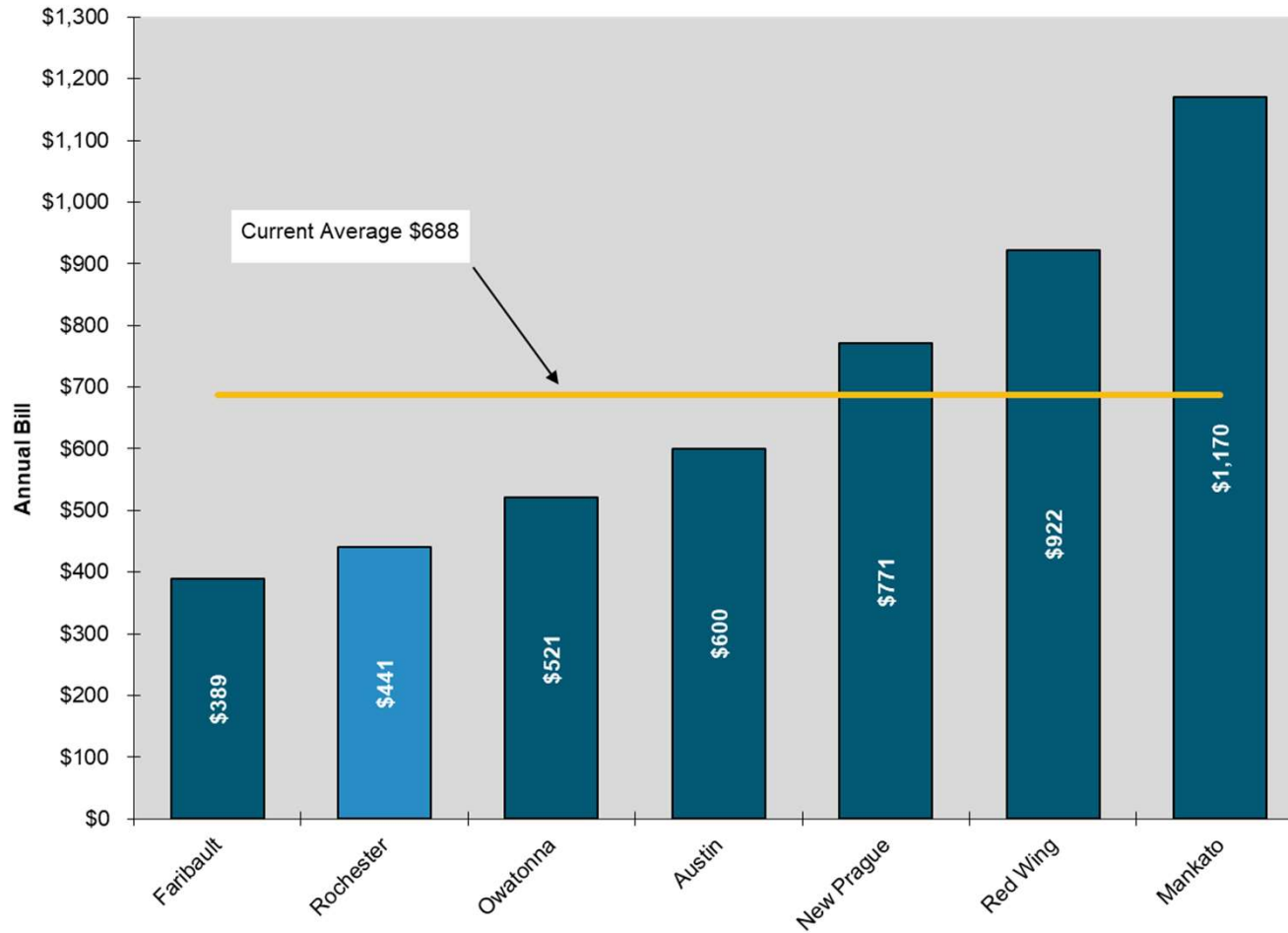


SOURCE: OWATONNA PUBLIC UTILITIES



Commercial Class Water Rate Comparison

(Jan '21 through Dec '21)



SOURCE: OWATONNA PUBLIC UTILITIES

Water Utility Recommendation

- 2023 Recommendation
 - 5.0 percent general rate increase





Questions on Water Utility?

Electric Utility Budget 2023 - 2027





Rochester Public Utilities - Electric Utility – 2023 Operating Budget

ASSUMPTIONS

- Interest Earnings Rate: 1.25%
- Average Salary Expense Change: 3.0%
(Consists of COLA, merit and promotion increases)
- Anticipated Bonding: \$13,600,000 in 2023 (AMI)
- Change in Full-time Equivalents: No Additional Positions
- SMMPA Wholesale Power Cost: 0.0% increase
- SMMPA CROD Level: 216MW
- Minimum Cash Reserve Requirement: Current Policy Amount \$53,825,818

RETAIL REVENUES / SALES

- Revenue Adjustments: 2.5% Proposed General Rate Increase(\$2.27/Mo Residential)
- Electric KWH Sales Forecast: 0.4% Increase from 2022 F2
Projected Sales
- Total Electric Utility Customers: 1.3% Increase over Y/E 2022 F2
Projected Customers
- Based on Normal Weather 30Yr Average Heating/Cooling Degree Days Per Year

WHOLESALE REVENUES / SALES & EXPENSES

- Estimated Cost of Fuel 2023: \$6.48/mcf
- Budgeted Cost of Fuel 2022 \$3.61/mcf
- Budgeted Cost of Fuel 2022 F2 (updated): \$8.65/mcf

OTHER ITEMS

- In Lieu of Tax forecast increasing \$734,139 to a total of \$9,606,922 (Assumes 2022 CPI of 8%)



**ROCHESTER PUBLIC UTILITIES
2023 CAPITAL / OPERATING BUDGETS
ELECTRIC AND WATER REVENUE CHANGE
VERSUS INFLATION**

<u>Year</u>	<u>Inflation %</u>	<u>Electric Rates %</u>	<u>Water Rates %</u>	<u>SMMPA Rates %</u>
2022*	6.4%	1.5%	2.5%	0.0%
2021	4.7%	0.0%	0.0%	0.0%
2020	1.2%	0.0%	3.5%	-4.0%
2019	1.8%	1.9%	6.0%	0.0%
2018	2.4%	1.5%	6.0%	2.0%
2017	2.1%	3.7%	6.0%	6.0%
2016	1.3%	1.7%	6.0%	0.0%
2015	0.1%	3.5%	3.5%	0.0%
2014	1.6%	3.0%	1.5%	0.0%
2013	1.5%	0.0%	0.0%	0.0%
10-Year Annualized Average	2.3%	1.7%	3.5%	0.4%
2023*		2.5%	5.0%	0.0%

*Estimated Yearly Values

Business Drivers

- Flat energy sales – Increase customers, decrease average use, Conservation, Distributed Generation
- AMI Investment
- Load (Demand) growth shifts within the City
- Demand Side Management – 80MW by 2039
- Weather – Heating and Cooling days
- Potential New loads – Electric Vehicles & Electrification

Business Risks

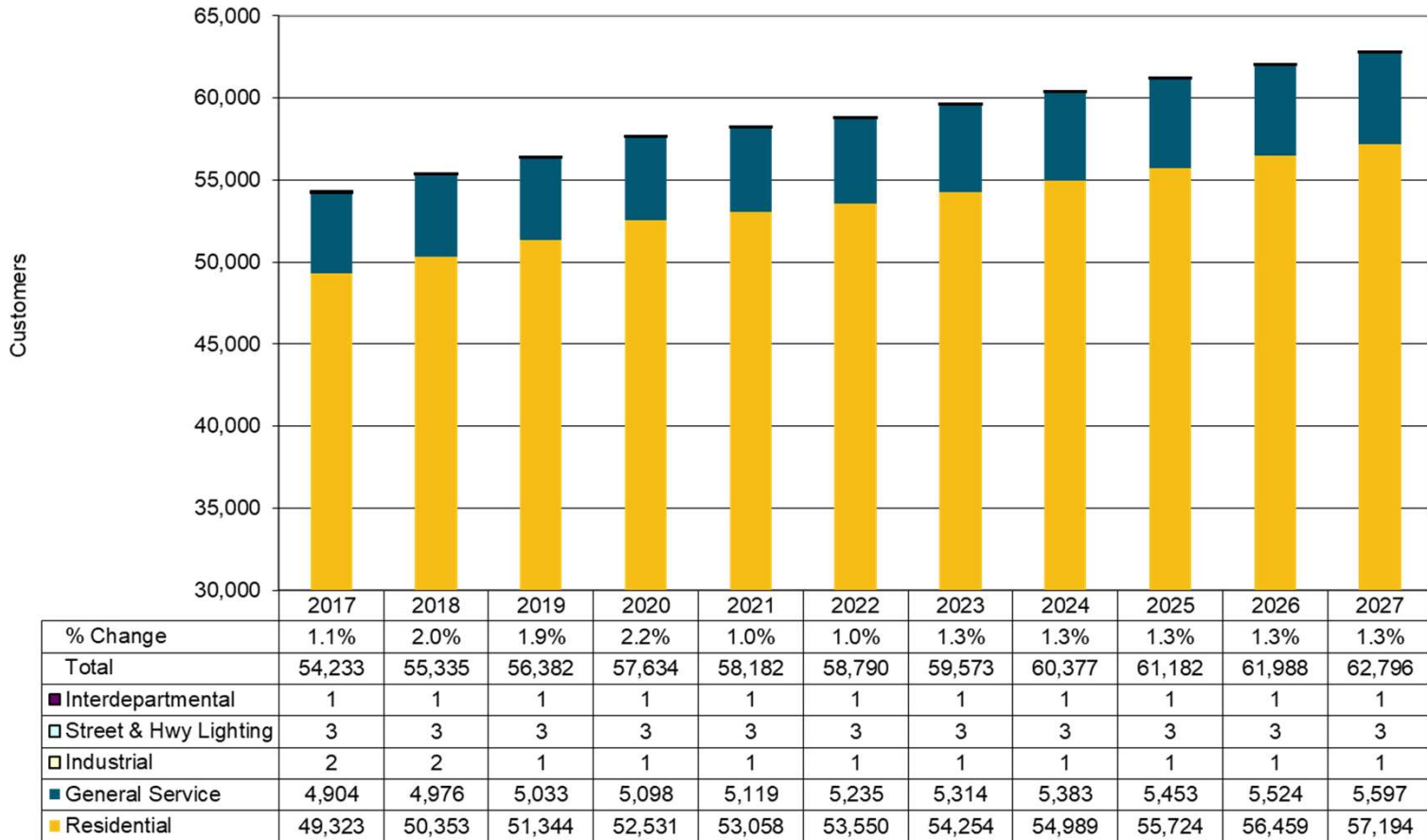
- Compliance: Cyber Security / FERC requirements / Conservation (CIP)
- Regulatory Impact: Air & Water quality, Transmission
- Impact of local business decisions & economy, Covid 19 & DMC
- Concentration of Customers/Revenue – 2/3 Revenue is Commercial
- Technology – Smart Meters, ERP System, Cyber Security.





Electric Utility Number of Customers

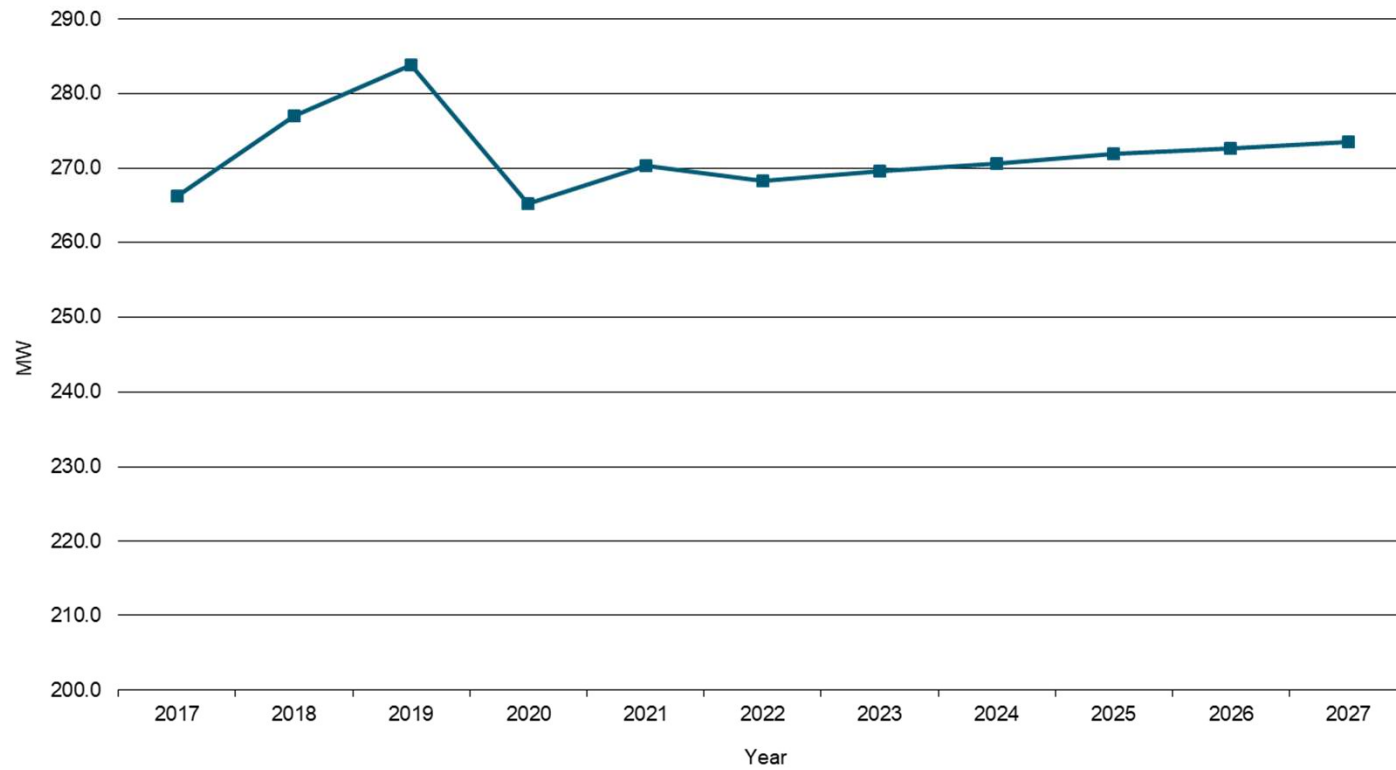
2017-2021 Actual, 2022 Forecast, 2023-2027 Budget





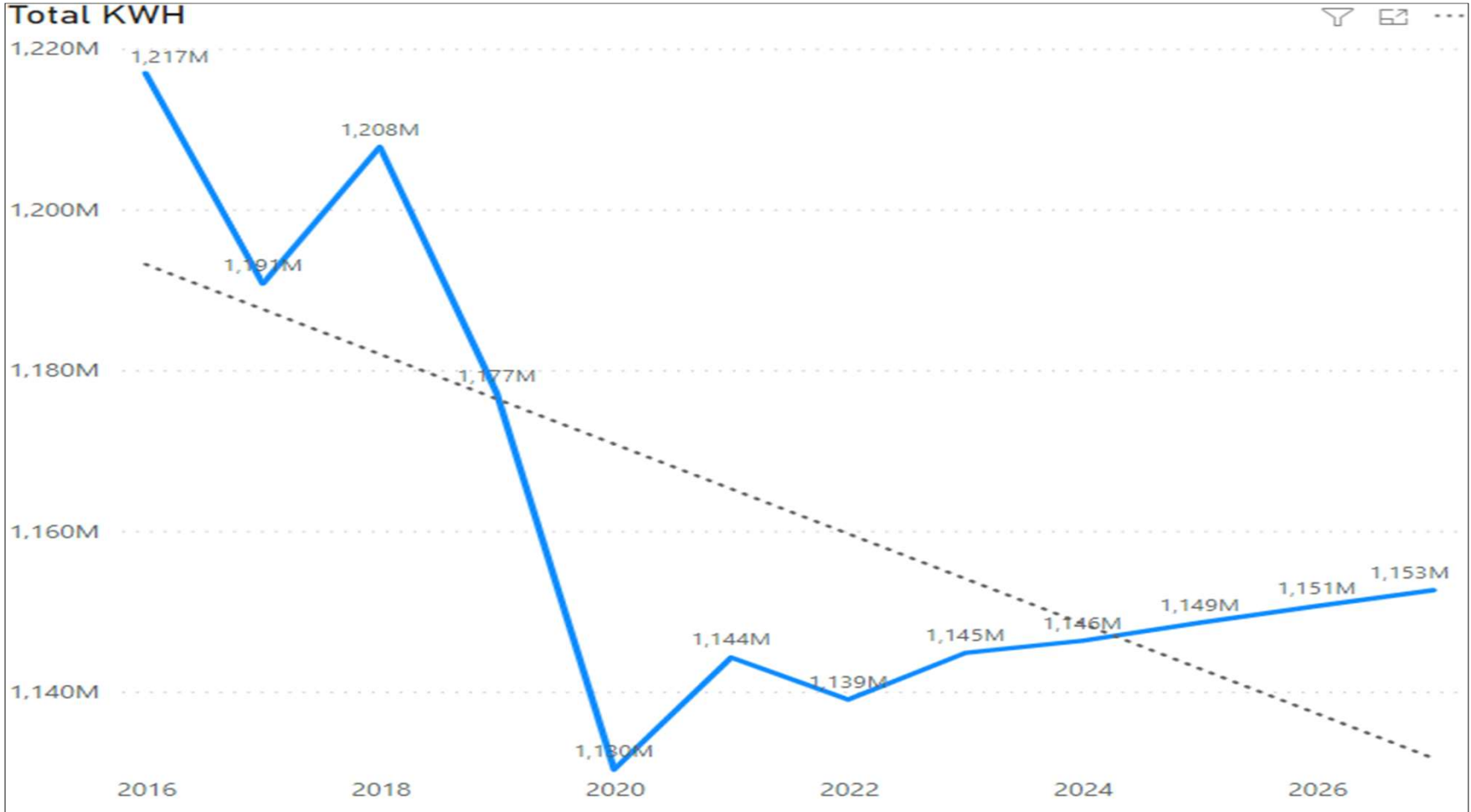
Annual MW Peak

2017-2022 Actual, 2023-2027 Budget





2023 KWH SALES FORECAST



Budget Drivers – 2023

- Continued investment in system to maintain reliability, improve service and safety, and serve City expansion
- Capital Expenditures in 2023
 - Substation (Total \$27,285K Gross) (CIAC) \$10,440K (2020-2023: \$19,550K Net)
 - Distribution System \$ 3,105K
 - New Services (CIAC) \$ 1,211K
 - Power Resources \$ 870K
 - Fleet \$ 801K
 - Project Contingency Reserve \$ 700K
 - AMI Project \$ 60K (2023-2027: \$11,567K)
- Major Maintenance
 - Tree trimming \$ 1,700K
 - Power Resources \$ 415K
 - Operating Contingency Reserve \$ 300K

(CIAC – Contribution in Aid of Construction)



Electric Utility Capital & Major Maintenance Adjustments

- Reduced 2023 Capital \$ 2,491,520
- Reduced 2023 Major Maintenance \$ 747,000
- Reduced 2023 Cost Centers \$ 899,395

- Maintained Capital Contingency \$ 700,000
 - Cost Center
 - Your Departments
 - Other Departments
 - Contingency
 - Board Reserve Request



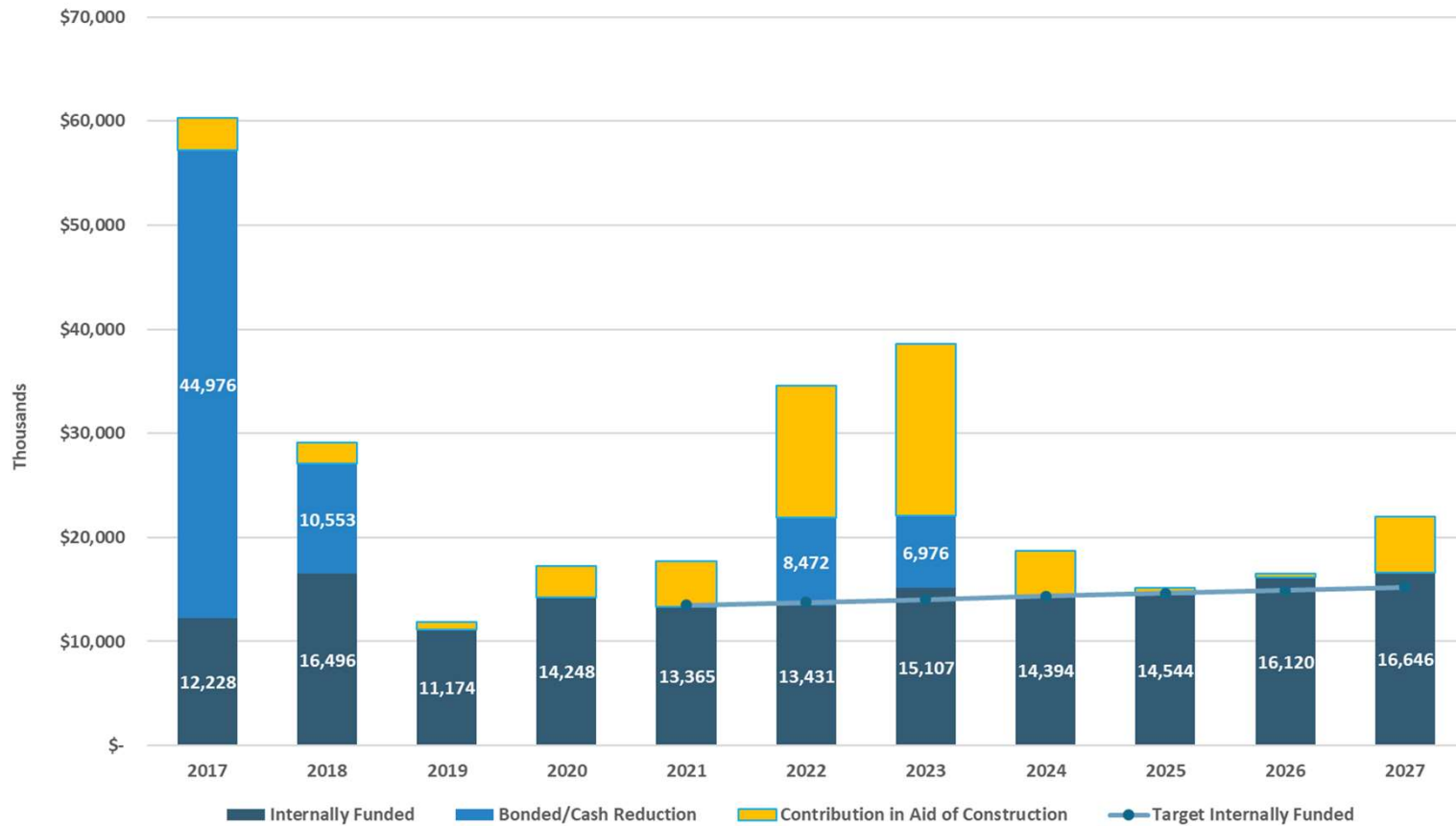


Electric Utility - Capital Budget Adjustments

Description		2022	2023	2024	2025	2026	2027
Internally Funded Capital Requests		13,431,062	17,598,348	13,294,271	16,890,747	22,680,658	27,288,017
	New Service Allocation		(75,000)	(75,000)	(100,000)	(100,000)	(100,000)
	Distribution Line & Equipment Allocation		(40,000)	(40,000)	(50,000)	(50,000)	(50,000)
	Substation Asset Management Allocation		(35,000)				
	Feeder 1912		(426,667)	426,667			
	Downtown Duct system				(2,400,000)	(6,000,000)	(6,000,000)
	65thSt - 34th To 50th AveNW		(633,333)	633,333			
	Q11-W.C. To New St.Bridget Sub ROW		(125,000)				
	Fiber-Marion to Cty PW/St Bridget Twr to WC		(357,629)	154,629	203,000		
	Fiber-Marion to Chester						
	Survey GPS Replacement		(40,000)	40,000			
	GIS Utility Network Implementation		(40,000)	(40,000)			
	Alloc-Backup/DR		(50,000)				
	Alloc-OperationTechnology		(20,000)				
	Halogen/Novec Fire Suppression Upgrades		(139,171)				
	Fleet Hoist Addition		(174,000)				
	Operations Storage Building					(410,938)	(4,491,564)
	Pickup-Tech Services		(65,000)				
	Backyard Aerial Lift Track Machine		(270,720)				
Total Adjustments		-	(2,491,520)	1,099,629	(2,347,000)	(6,560,938)	(10,641,564)
Internally Funded Capital Expenditures		13,431,062	15,106,828	14,393,900	14,543,747	16,119,720	16,646,453
	Target Capital Expenditures	13,772,423	14,047,871	14,328,829	14,615,405	14,907,714	15,205,868
	Over (Under)	(341,361)	1,058,957	65,071	(71,658)	1,212,006	1,440,585



Electric Utility Capital External Spending 2017-2021 Actual, 2022 Forecast, 2023-2027 Budget





Electric Utility - 2023-2027 Major Maintenance Plan

	2023	2024	2025	2026	2027	5-Yr Total
1 Core Services						
2 Tree Trimming	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	8,500,000
3 Asbestos Mitigation in Manholes	-	95,000	95,000	95,000	95,000	380,000
4 Service Assured - Electric	18,000	18,000	18,000	18,000	18,000	90,000
5 Allocation - New Services	307,500	290,000	225,000	225,000	225,000	1,272,500
6 Transmission Lines & Equipment Maintenance	50,000	50,000	50,000	50,000	50,000	250,000
7 Distribution Lines & Equipment Maintenance	257,500	240,000	175,000	175,000	175,000	1,022,500
8 Capacitor Bank Controls Replacement	10,000	10,000	10,000	10,000	10,000	50,000
9 Allocation - Substation Asset Management (Maint)	165,000	158,500	175,500	118,500	118,500	736,000
10 AMI Timing Study	55,000	-	-	-	-	55,000
11 AMI Headend	1,799	84,708	83,649	81,256	83,895	335,307
12 AMI MDM	3,117	146,774	144,938	140,792	145,365	580,986
13 AMI Ongoing Operational Expenses	12,520	127,568	236,852	237,234	237,621	851,795
14 Distribution System Planning Study	35,000	-	-	-	-	35,000
15 ArcFlash Study for Downtown	-	-	-	100,000	-	100,000
16 DER Hosting Capacity Study	-	100,000	-	-	-	100,000
17 Downtown Duct & Feeder Routing Study	-	120,000	-	-	-	120,000
18 Engineering Records in ImageNow	-	200,000	-	-	-	200,000
19 Transmission LIDAR & Clearance Analysis	-	250,000	-	-	-	250,000
20 Pole Attachment & Clearance Violation Survey	60,000	-	-	-	-	60,000
21 Stray Voltage Survey	-	42,000	-	-	-	42,000
22 Downtown Electric Reconfiguration Study	80,000	-	-	-	-	80,000
23 Grid North	120,000	-	-	-	-	120,000
24 Work Management Solution	35,000	120,000	-	-	-	155,000
25 Total Core Services	2,602,936	3,462,550	2,688,939	2,725,782	2,633,381	14,113,588
26 Customer Relations						
27 DSM - EV TOU Rate *	35,664	9,823	10,118	10,421	10,734	76,760
28 DSM - DLC Smart Thermostat Program *	204,740	207,762	245,737	285,769	327,970	1,271,979
29 Energy Sustainability for Elderly *	87,000	89,610	92,298	95,067	97,919	461,895
30 Cayenta Application Enhancements	140,500	173,200	175,000	175,000	175,000	838,700
31 SEW Modifications	58,200	69,200	75,000	75,000	75,000	352,400
32 RPU Program Changes	258,850	200,900	200,000	200,000	200,000	1,059,750
33 Total Customer Relations	784,954	750,495	798,153	841,258	886,624	4,061,484



Electric Utility - 2023-2027 Major Maintenance Plan

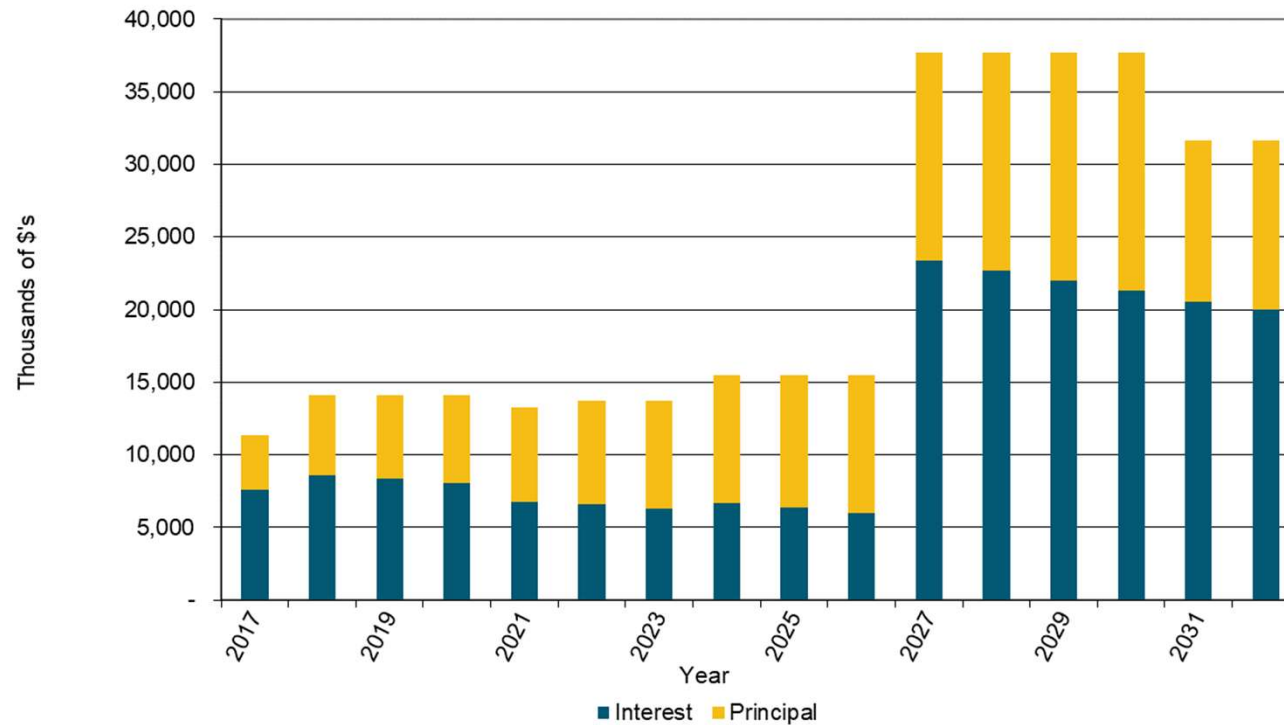
	2023	2024	2025	2026	2027	5-Yr Total
34 Corporate Services						
35 HCM Replacement	-	100,000	-	-	-	100,000
36 Elec Cost-of-Srvc/Rate Design Study	92,000	-	-	95,000	-	187,000
37 Rates Modeling	20,000	20,000	20,000	20,000	20,000	100,000
38 Budgeting System	50,000	50,000	50,000	50,000	50,000	250,000
39 Utegration (HPC) Support Contract	75,000	75,000	75,000	75,000	75,000	375,000
40 SAP Technical Upgrade	100,000	-	-	100,000	-	200,000
41 Sharepoint Site	40,000	30,000	20,000	20,000	20,000	130,000
42 ImageNow Upgrade	30,000	-	30,000	-	30,000	90,000
43 SCADA Pen Test	25,000	25,000	25,000	25,000	25,000	125,000
44 ERP Replacement Discovery	-	-	-	-	300,000	300,000
45 Allocation - Technology	44,500	44,500	54,500	44,500	44,500	232,500
46 Info Risk & Security/City Shared Infrastructure	4,500	4,500	14,500	4,500	4,500	32,500
47 Business Systems/Applications	40,000	40,000	40,000	40,000	40,000	200,000
48 Total Corporate Services	476,500	344,500	274,500	429,500	564,500	2,089,500
49 Compliance and Public Affairs						
50 WES Emissions Testing	73,500	-	-	-	80,000	153,500
51 Total Compliance and Public Affairs	73,500	-	-	-	80,000	153,500
49 Power Resources						
50 SLP Decommissioning	155,000	375,000	175,000	200,000	250,000	1,155,000
51 Silver Lake Dam Ownership	-	1,240,000	-	-	-	1,240,000
52 Allocation - Power Resources	415,000	520,000	985,000	355,000	400,000	2,675,000
53 Allocation - Facilities	205,000	210,000	215,000	220,000	225,000	1,075,000
54 Total Power Resources	775,000	2,345,000	1,375,000	775,000	875,000	6,145,000
55 General Management						
56 Operating Contingency Fund	300,000	300,000	300,000	300,000	300,000	1,500,000
57 Total General Management	300,000	300,000	300,000	300,000	300,000	1,500,000
58 Total Major Maintenance Plan - External Expenditures	5,012,890	7,202,545	5,436,592	5,071,540	5,339,505	28,063,072

* A portion of these project costs are included in the Other Operating Expenses on the Management Reporting P&L.



Debt Service

2017-2021 Actual, 2022-2032 Budget/Forecast

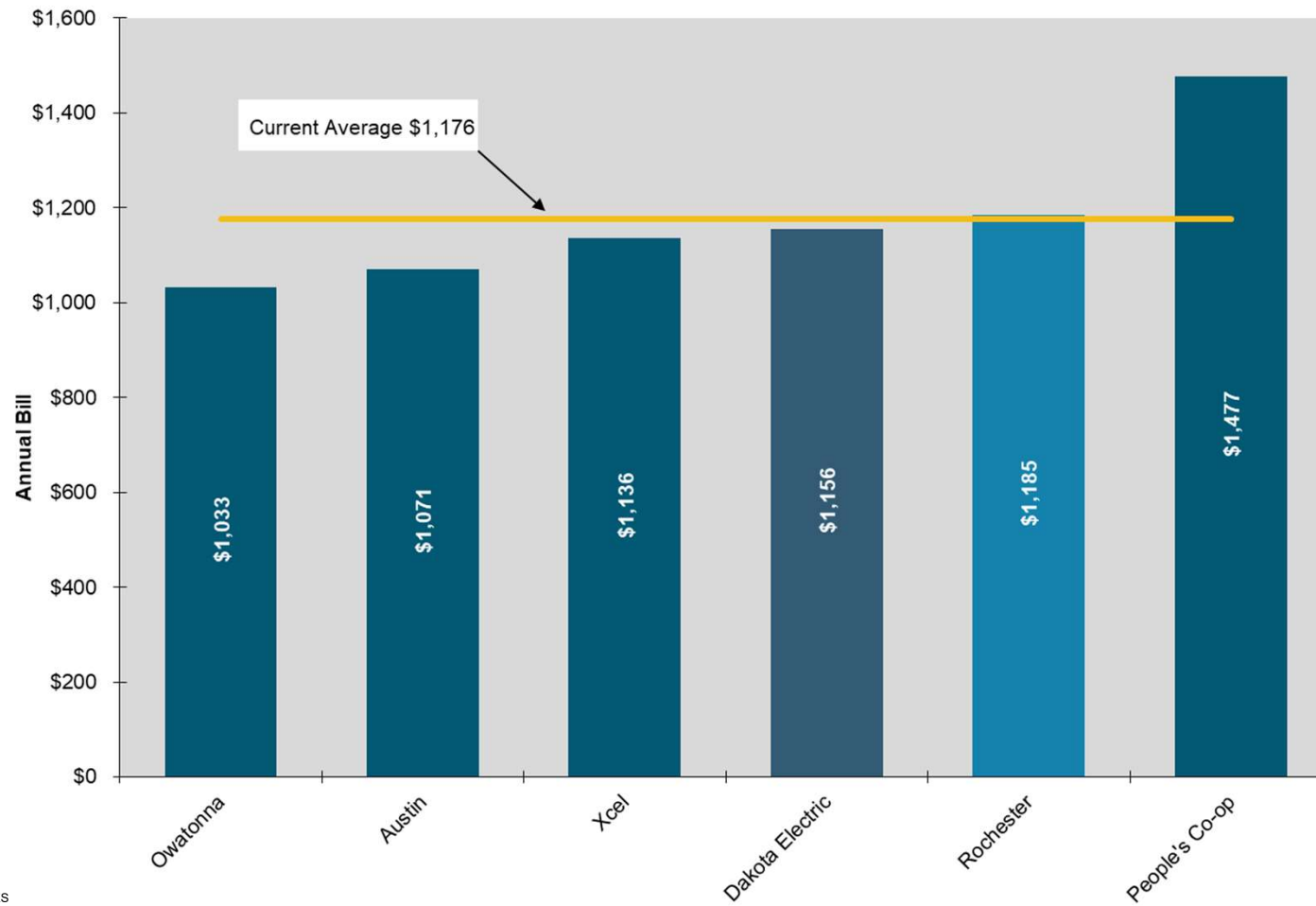


	<u>2022</u>		<u>2023</u>		<u>2024</u>		<u>2025</u>		<u>2026</u>		<u>2027</u>	
Debt issues	\$	-	\$	13.6	\$	-	\$	-	\$	-	\$	322.3



Residential Class Electric Rate Comparison

(Jan '21 through Dec '21)

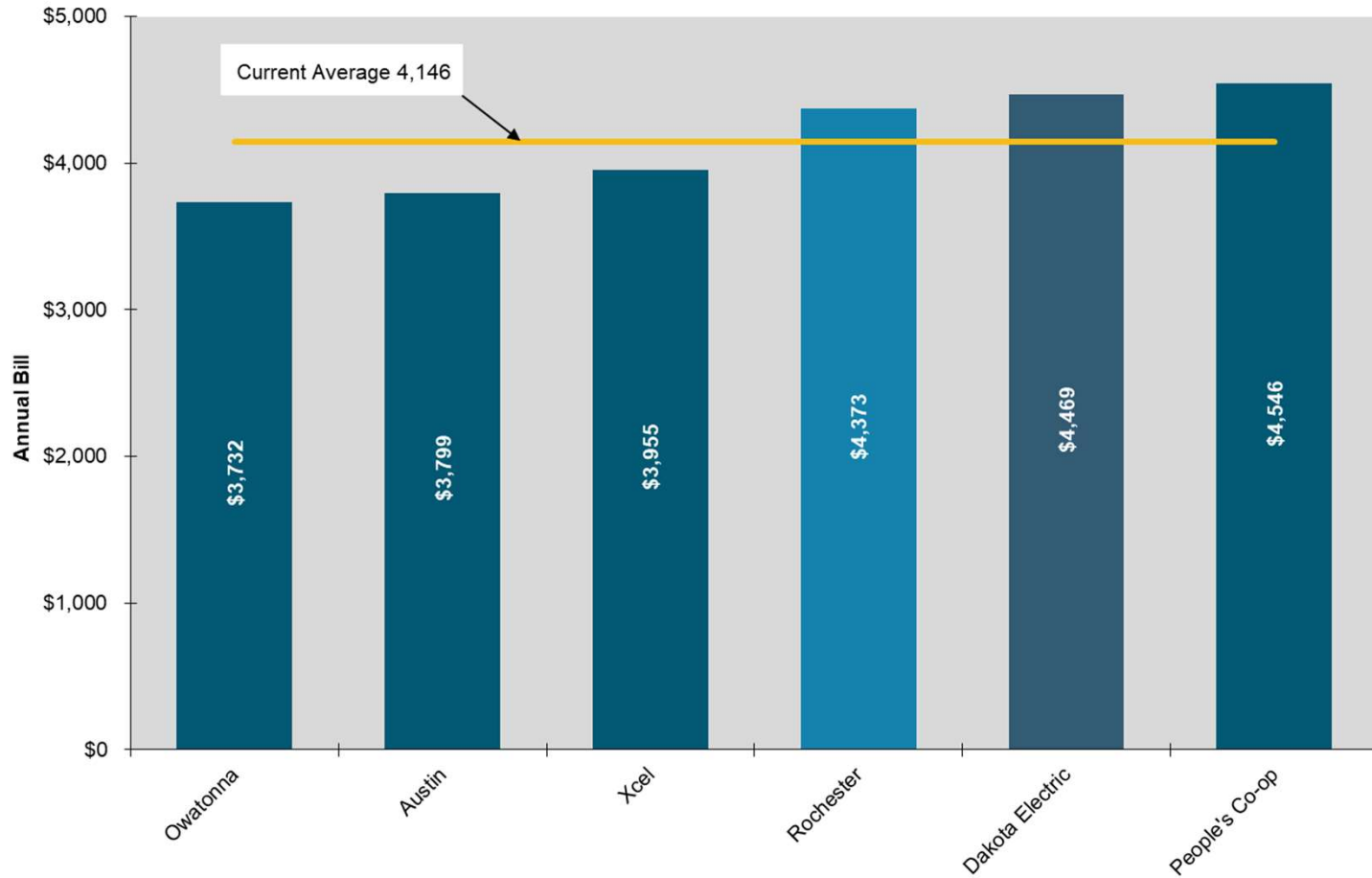


SOURCE: OWATONNA PUBLIC UTILITIES



Commercial (SGS) Class Electric Rate Comparison

(Jan '21 through Dec '21)



SOURCE: OWATONNA PUBLIC UTILITIES



Electric Utility 2023 Operating Budget

FORECAST BY YEAR, 2022 THROUGH 2027
(\$000'S)

Forecasted Rate Change	1.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	2022*	2023	2024	2025	2026	2027
1 Total Revenues	171,944	174,190	177,736	182,502	185,800	190,814
2 Total Cost of Revenue	98,105	95,963	95,411	95,480	86,808	76,567
3 Total Gross Margin	73,839	78,227	82,326	87,022	98,992	114,247
4 Total Operating Expenses	45,070	43,850	48,150	48,367	49,893	52,212
5 Total Capital Expenditures	35,185	38,508	16,822	10,629	12,235	21,136
6 Net Other Operating Expenses	(27,771)	(29,808)	(9,896)	408	(1,363)	(12,112)
7 Total Operating Expenses	52,484	52,550	55,077	59,404	60,764	61,237
8 Net Operating Income	21,355	25,677	27,249	27,619	38,228	53,010

* 2022 forecast contains 5 months actuals and 7 months forecast for components of Gross Margin, and 4 months actuals and 8 months forecast for operating expenses and capital and major maintenance projects.



Electric Utility 2023 Operating Budget

FORECAST BY YEAR, 2022 THROUGH 2027
(\$000'S)

Forecasted Rate Change	1.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	2022*	2023	2024	2025	2026	2027
9 Total Financing & Non-Operating Items	(4,700)	(4,062)	(4,687)	(4,377)	(3,964)	(21,396)
10 Income Before Transfers/Capital Contributions	16,654	21,615	22,562	23,241	34,264	31,615
11 Transfers (In Lieu of Tax Payments)	(8,873)	(9,607)	(10,197)	(10,625)	(10,857)	(11,094)
12 Capital Contributions	14,211	17,200	7,373	627	355	6,755
13 Change in Net Assets	21,992	29,208	19,739	13,243	23,762	27,276
14 Change in Net Assets (Excl Capital Contrib)	7,782	12,008	12,366	12,616	23,407	20,521
15 Target Change in Net Assets	15,415	17,541	19,575	20,334	21,250	27,100
16 Excess (Deficit) from Target	(7,633)	(5,532)	(7,209)	(7,718)	2,156	(6,579)

* 2022 forecast contains 5 months actuals and 7 months forecast for components of Gross Margin, and 4 months actuals and 8 months forecast for operating expenses and capital and major maintenance projects.



Electric Utility 2023 Operating Budget

FORECAST BY YEAR, 2022 THROUGH 2027
(\$000'S)

Forecasted Rate Change	1.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	2022*	2023	2024	2025	2026	2027
17 01/01 Cash Balance	103,773	94,334	87,345	89,589	95,436	111,152
18 Cash from Operations	37,186	44,865	36,031	30,775	41,430	45,330
19 Capital Additions/Services Territory Comp	(41,093)	(43,547)	(26,079)	(19,603)	(21,168)	(28,885)
20 Bond Principal Payments	(7,085)	(7,395)	(8,786)	(9,119)	(9,481)	(14,315)
21 Bond Sale Proceeds	-	13,600	-	-	-	322,300
22 Net Change in Other Assets/Liabilities	1,553	(14,511)	1,078	3,794	4,934	(320,412)
23 Net Changes in Cash	(9,439)	(6,989)	2,244	5,847	15,716	4,018
24 12/31 Cash Balance	94,334	87,345	89,589	95,436	111,152	115,170
25 Minimum Cash Reserve	52,102	53,826	55,577	57,293	57,005	56,059
26 Excess (Deficit) from Minimum Cash Reserve	42,231	33,519	34,012	38,143	54,147	59,111
27 Cash Balance as % of Reserve Policy	181.1%	162.3%	161.2%	166.6%	195.0%	205.4%
28 Debt Service Coverage Ratio	2.73	3.11	2.92	3.03	3.74	1.94

* 2022 forecast contains 5 months actuals and 7 months forecast for components of Gross Margin, and 4 months actuals and 8 months forecast for operating expenses and capital and major maintenance projects.

Recommendations

- Electric Utility 2023 Recommendation
 - 2.5 percent overall rate increase
- Water Utility 2023 Recommendation
 - 5.0 percent overall rate increase





Questions on Electric Utility?

Next Steps

- August 22, 2022 City Council: Recommended Budget Review Study Session
- August 30, 2022 RPU Board Meeting: Public Comment
- September 27, 2022 RPU Board Meeting: Public Comment
 - Electric and Water Rate Design – Public Notice
 - Water Utility Cost of Service
- October 25, 2022 RPU Board Meeting: Public Comment
- November 29, 2022 RPU Board Meeting: Public Comment
 - Request for Approval of Budgets and Rate Recommendation
- December 2022 City Council:
 - Request Approval of Budgets and Rate Recommendation

