



# Power Supply and Financial Planning

RPU Board Meeting July 30, 2024  
with 1898 & Co.





## Agenda

- Purpose and Scope of Engagement
- Resource Plan Background and Future Generation
- Options for Future Generation Ownership
- RPU Financial Assumptions and Targets
- Financial Results of each Option
- Potential Path Considerations



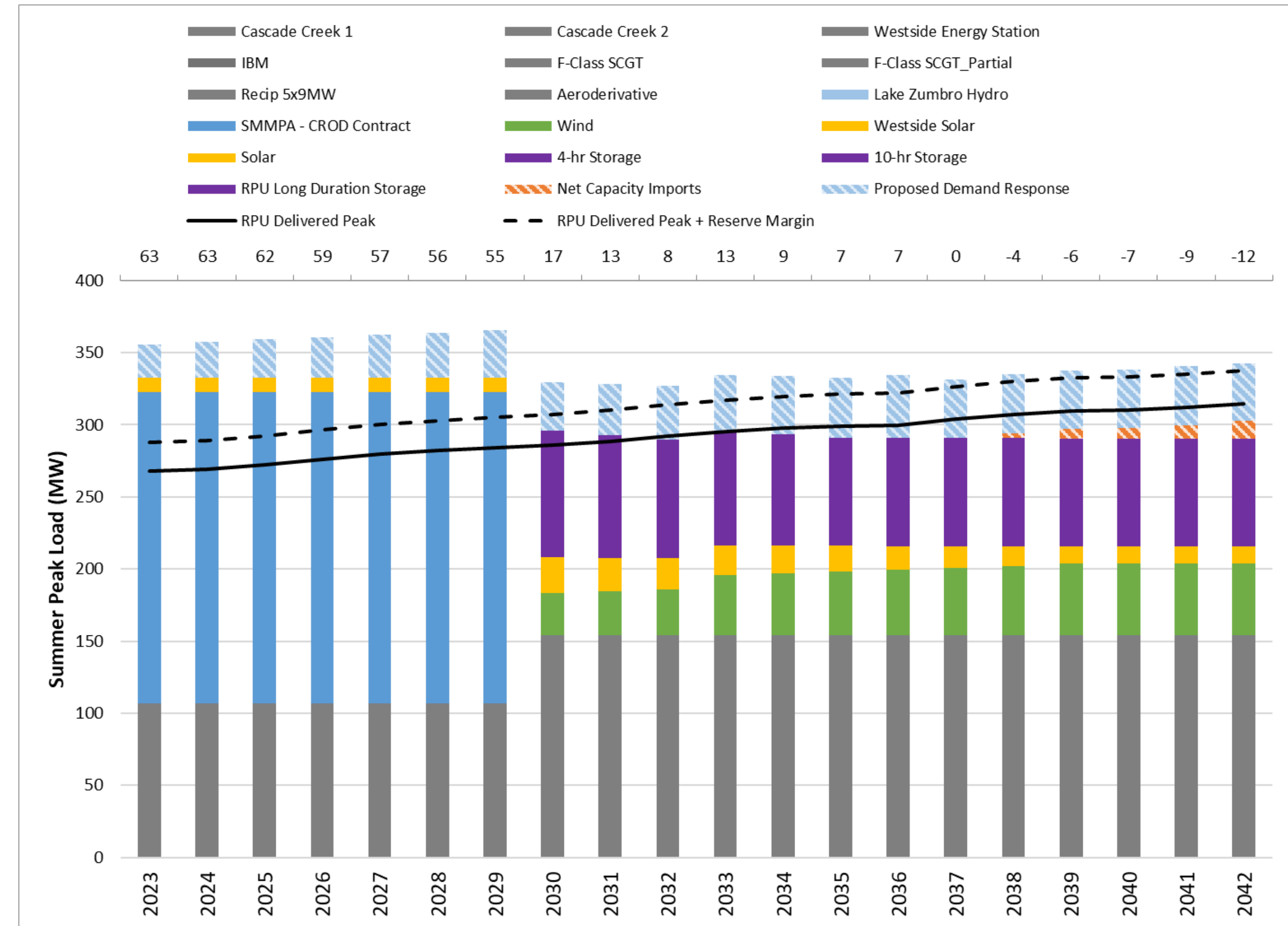
## Purpose and Scope of Engagement

- Evaluate the 2023 Resource Plan recommended path (new wind, solar, battery, SSCT plant) within the total RPU financial forecast.
- Costs from the Resource Plan are included in the financial forecasts to assess impacts on rates and financials.
- Consider project ownership options (RPU self-build vs PPA), cost structures, and cash flows for new generation.
- Determine the level and timing of new bonds, use of cash, and required rate increases to meet RPU financial targets under various scenarios.



# Resource Plan (IRP) Background and Future Generation

- Resource Plan completed in 2023
- SMMMPA contract ends in 2030
- New generation online 2029-2032
  - 50 MW CT plant (\$120M)
  - 50 MW solar (\$100M)
  - 100 MW battery (\$200M)
  - 350 MW Wind (\$600M)
  - 100 MW Wind (\$187M)





# Options for Future Generation Ownership

2024 Financial Plan Study				Scenario 1 Resource Plan	Scenario 2	Scenario 3	Scenario 4
Resource	Capacity (MW)	Self Build Cost		Ownership	Ownership	Ownership	Ownership
		(\$000)	PPA Cost				
Simple Cycle Combustion Turbine	50.00	\$120,000		RPU financed	RPU financed	RPU financed	RPU financed
4-hr Battery Energy Storage	100.00	\$200,000	\$14.50 / kW-mo	RPU financed (with 30% ITC)	RPU financed (with 30% ITC)	RPU financed (with 30% ITC)	PPA
Solar 2030	50.00	\$100,000	\$75.00 / MWh	RPU financed (with 30% ITC)	RPU financed (with 30% ITC)	PPA	PPA
Wind 2030	350.00	\$600,000	\$40.00 / MWh	RPU financed (with PTC)	PPA	PPA	PPA
Wind 2033	100.00	\$187,000	\$44.00 / MWh	RPU financed (with PTC)	PPA	PPA	PPA

**ITC = INVESTMENT TAX CREDIT**

**PTC = PRODUCTION TAX CREDIT**

**PPA = POWER PURCHASE AGREEMENT**





# RPU Financial Assumptions and Targets

## Assumptions

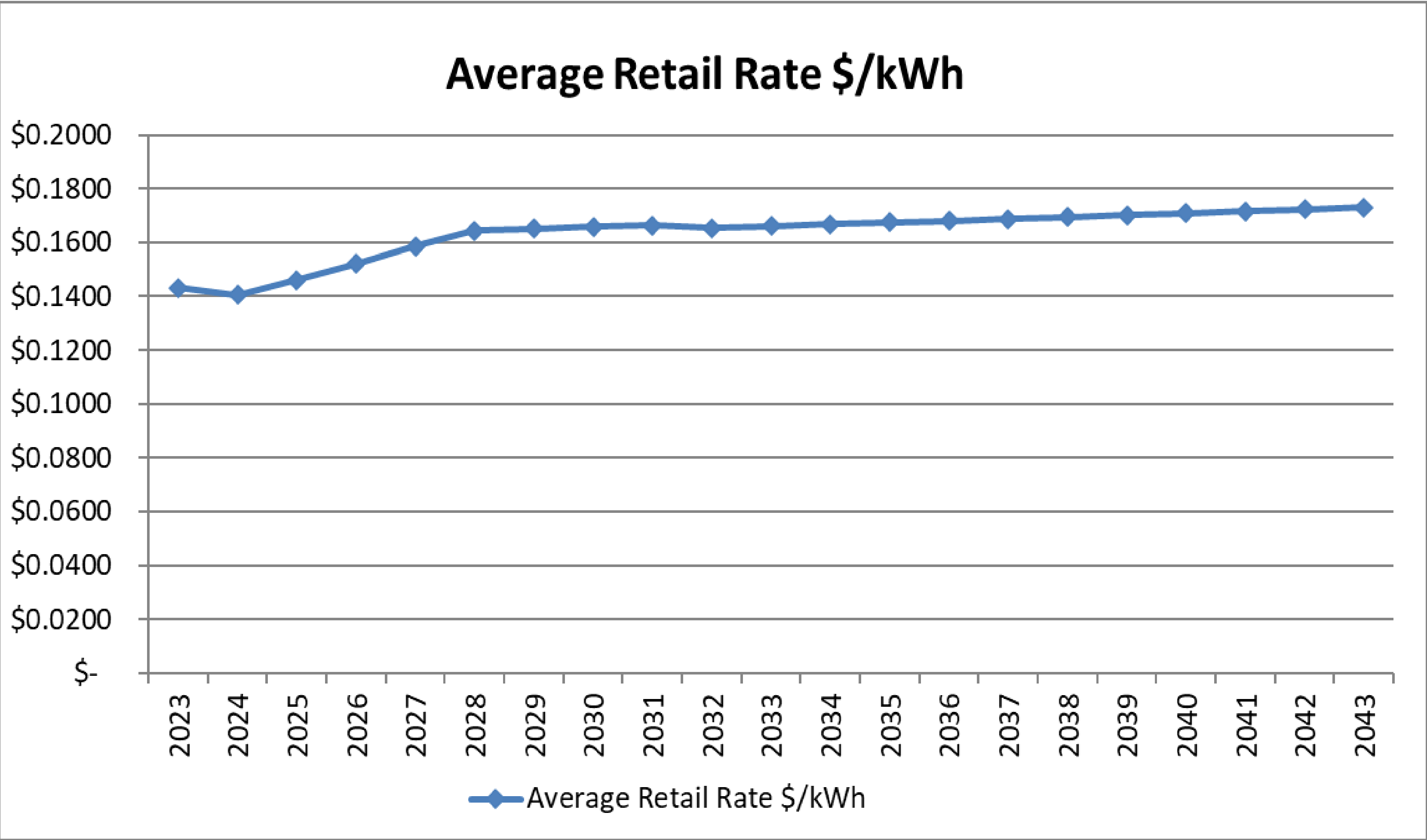
- 25-year debt at 5.0%
- Short term financing during construction
- Long term financing at completion
- 10-year PTC on RPU wind projects
- 30% ITC on RPU solar / battery projects
- Use \$50M RPU reserves to support projects
- Use \$60M SMPPA wholesale savings to support projects (2026 Sherco debt retired)
- 2023 RPU 5-year projection used through 2028
- General inflation 2 - 3% per year over 20 years

## Targets

- Cash balance: 250 days
- Net cash flow: Positive
- Equity ratio: 30%+
- Rate increases: gradual
- Debt coverage: 1.3 ~ 1.5
- Debt structure to align with PTC/ITC



# Scenario 1 (IRP Scenario – RPU 100% Ownership)



#### Rate Increases

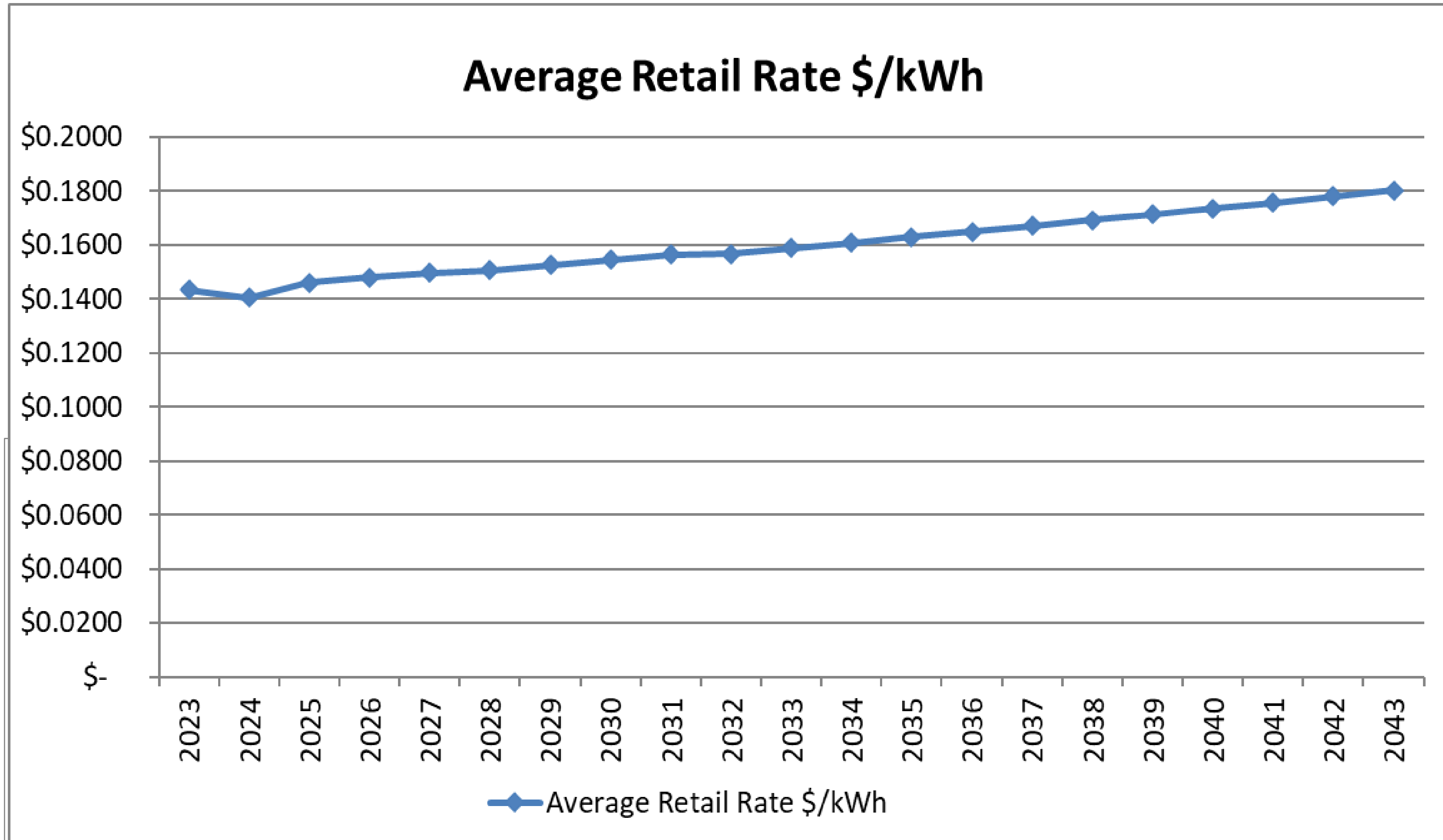
- 4.0% 2025
- 4.0% 2026
- 4.0% 2027
- 4.0% 2028
- 0.3%/yr 2029-2043
- Revenue NPV: \$2.88B

#### Key Assumptions

- Wind: RPU financed + PTC
- Solar: RPU financed + ITC
- Battery: RPU financed + ITC
- SSCT: RPU financed
- Total borrowed: **\$1,200M**



# Scenario 2 (Wind PPAs)



#### Rate Increases

- 4.0% 2025
- 1.2% 2026
- 1.2% 2027
- 1.2% 2028
- 1.2%/yr 2029-2043
- Revenue NPV: \$2.82B

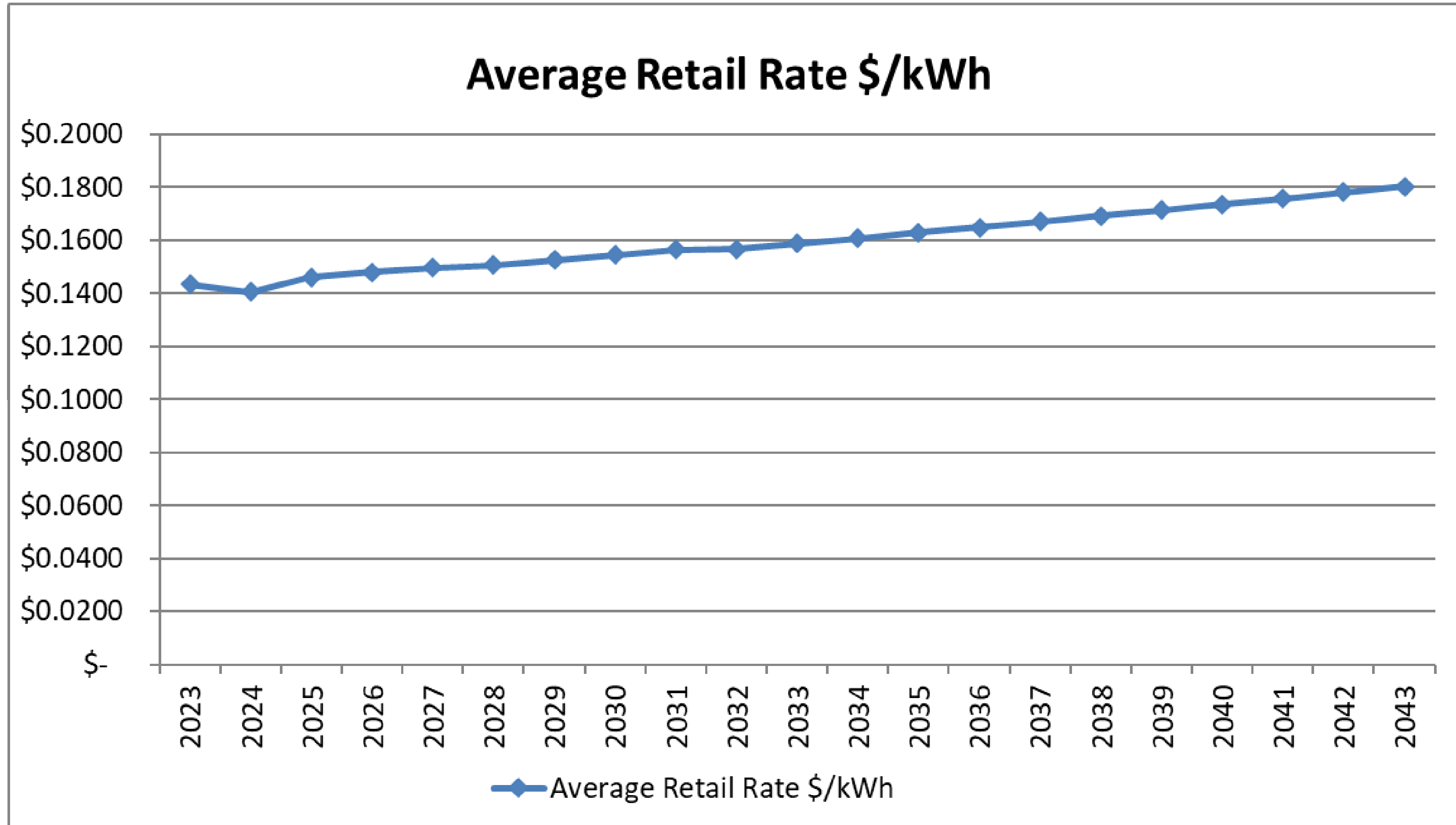
#### Key Assumptions

- Wind: **25-year PPA**
- Solar: RPU financed + ITC
- Battery: RPU financed + ITC
- SSCT: RPU financed
- Total borrowed: **\$316M**





# Scenario 3 (Wind and Solar PPAs)



#### Rate Increases

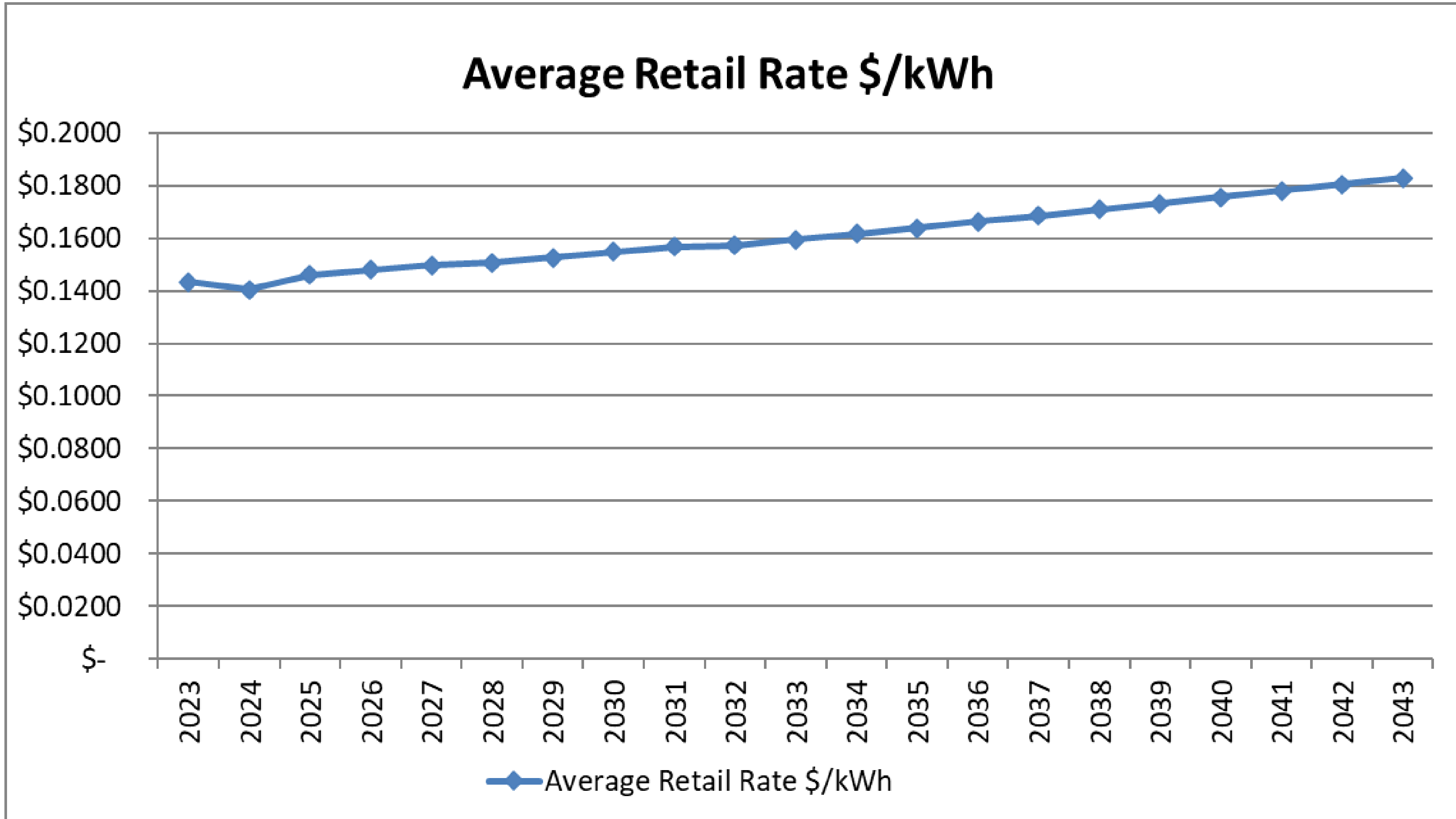
- 4.0% 2025
- 1.2% 2026
- 1.2% 2027
- 1.2% 2028
- 1.2%/yr 2029-2043
- Revenue NPV: \$2.82B

#### Key Assumptions

- Wind: **25-year PPA**
- Solar: **25-year PPA**
- Battery: RPU financed + ITC
- SSCT: RPU financed
- Total borrowed: **\$238M**



# Scenario 4 (Wind, Solar, and Battery PPAs)



#### Rate Increases

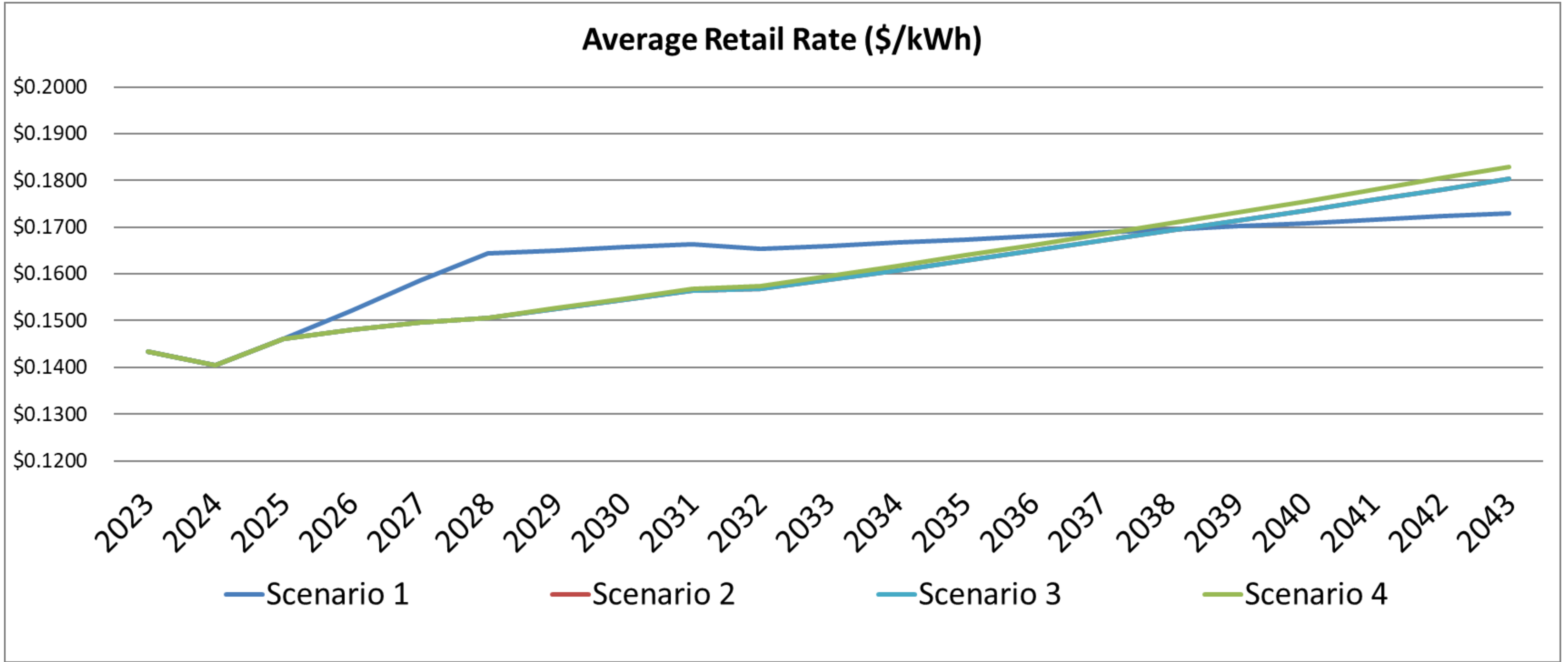
- 4.0% 2025
- 1.2% 2026
- 1.2% 2027
- 1.2% 2028
- 1.3%/yr 2029-2043
- Revenue NPV: \$2.77B

#### Key Assumptions

- Wind: **25-year PPA**
- Solar: **25-year PPA**
- Battery: **20-year PPA**
- SSCT: RPU financed
- Total borrowed: **\$77M**



# Average RPU Retail Rate by Scenario





## Conclusions

Working Assumption is Scenario 2:

- Wind Power Purchase Agreements
- Solar, Battery, SSCT self-build and financed

Continuing to explore partnership options for all asset types



## Financial Planning - Next Steps

Working Assumption is Scenario 2:

- 2025 / 2026 Spend cash reserves \$ 50M
- 2025 Establish construction line of credit \$ 90M
- 2027 Issue Long Term Debt \$ 265M
- 2029 Issue Long Term Debt \$ 66M
- 2030 IRA Proceeds Pay Short Term Debt (\$ 90M)