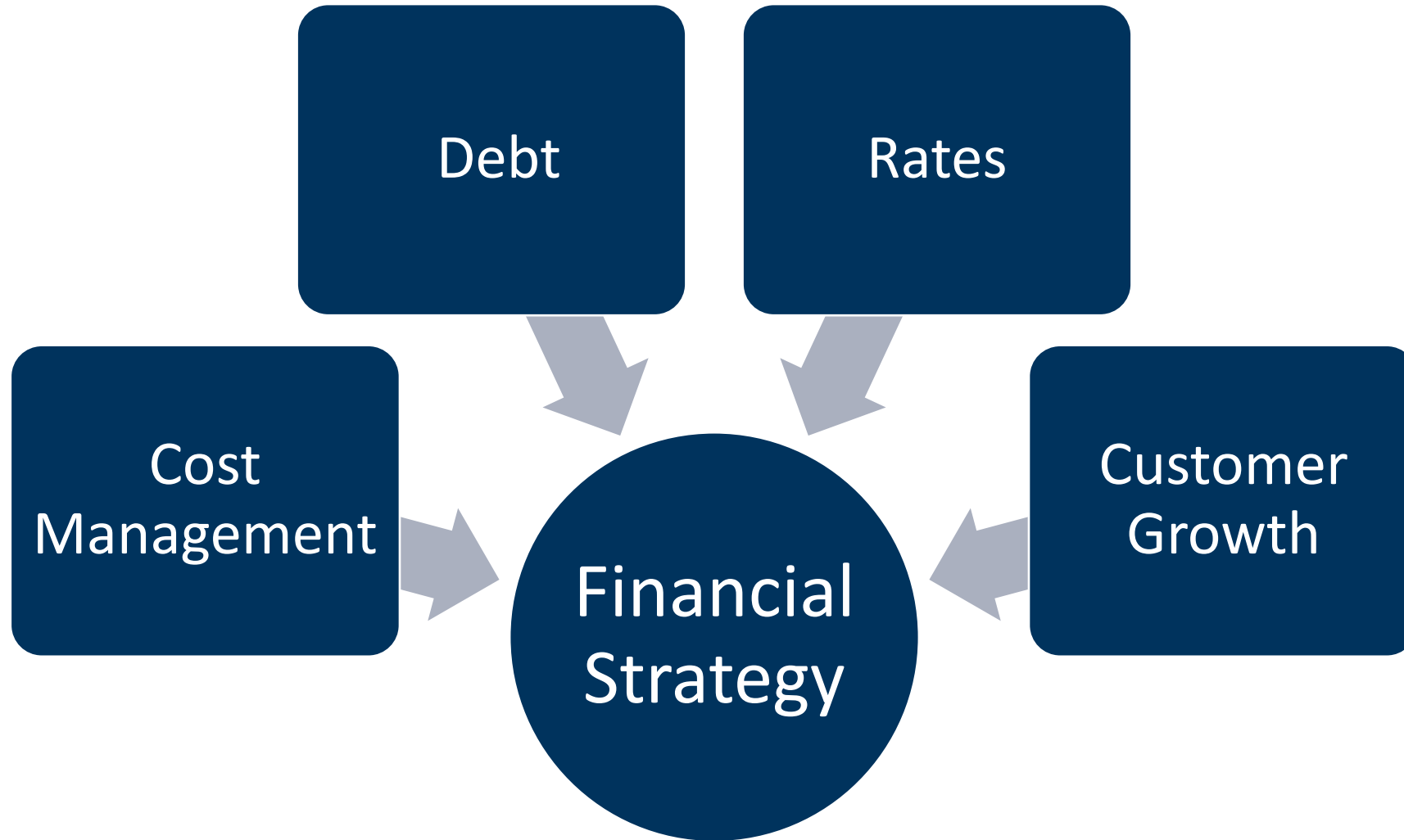




November 4, 2021  
Rate Overview



# Our Financial Strategy Supports Our Mission



Electric Long-Range Plan	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
<b>Beginning General Fund Balance</b>	\$18,662,000	\$16,570,000	\$15,937,000	\$15,153,500	\$15,589,500	\$15,695,500	\$15,834,500	\$15,717,000	\$19,417,000	\$17,350,000
Sales Revenue	557,463,000	580,907,000	601,659,000	618,516,000	619,408,000	620,283,000	621,174,000	622,072,000	622,951,000	623,812,000
Other Revenue	24,678,000	25,304,000	30,539,000	36,167,000	41,382,000	46,170,000	51,068,000	52,724,000	53,067,000	53,742,000
Total Revenue	\$582,141,000	\$606,211,000	\$632,198,000	\$654,683,000	\$660,790,000	\$666,453,000	\$672,242,000	\$674,796,000	\$676,018,000	\$677,554,000
Wholesale Power Cost	\$409,300,000	\$414,536,000	\$417,430,000	\$418,998,000	\$419,298,000	\$419,586,000	\$419,914,000	\$420,227,000	\$420,525,000	\$420,809,000
O&M	\$72,670,000	\$75,025,000	\$79,118,000	\$83,940,000	\$87,273,000	\$92,180,000	\$95,091,000	\$95,960,000	\$99,339,000	\$102,455,000
Long-Term Debt Service	26,823,000	31,435,000	35,672,000	36,970,000	40,474,000	44,085,000	44,647,000	45,131,000	40,905,000	40,531,000
Taxes & Equivalents	21,584,000	23,410,000	25,658,000	28,207,000	31,861,000	34,184,000	36,151,000	37,829,000	38,540,000	39,032,000
Total Expenses	\$530,377,000	\$544,406,000	\$557,878,000	\$568,115,000	\$578,906,000	\$590,035,000	\$595,803,000	\$599,147,000	\$599,309,000	\$602,827,000
Cash Generated	\$51,764,000	\$61,805,000	\$74,320,000	\$86,568,000	\$81,884,000	\$76,418,000	\$76,439,000	\$75,649,000	\$76,709,000	\$74,727,000
Capital	\$97,159,000	\$132,112,000	\$131,601,000	\$142,280,000	\$135,075,000	\$132,552,000	\$131,381,000	\$84,928,000	\$80,955,000	\$88,650,000
<b>Long-Term Debt Issuance</b>	<b>\$60,000,000</b>	<b>\$85,000,000</b>	<b>\$68,000,000</b>	<b>\$57,000,000</b>	<b>\$54,000,000</b>	<b>\$57,000,000</b>	<b>\$49,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,000,000</b>
Long-Term Debt Issuance Cost	(\$480,000)	(\$680,000)	(\$544,000)	(\$456,000)	(\$432,000)	(\$456,000)	(\$392,000)	\$0	\$0	(\$96,000)
Fiber Division Loan	(\$10,000,000)	(\$15,000,000)	(\$10,000,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fiber Division Loan Repayment	\$0	\$375,000	\$1,062,500	\$1,625,000	\$1,750,000	\$1,750,000	\$8,237,500	\$15,000,000	\$5,200,000	\$0
Non-Appropriated, Net	(\$6,217,000)	(\$21,000)	(\$2,021,000)	(\$2,021,000)	(\$2,021,000)	(\$2,021,000)	(\$2,021,000)	(\$2,021,000)	(\$3,021,000)	(\$21,000)
<b>Ending General Fund Balance (Target = \$15M)</b>	<b>\$16,570,000</b>	<b>\$15,937,000</b>	<b>\$15,153,500</b>	<b>\$15,589,500</b>	<b>\$15,695,500</b>	<b>\$15,834,500</b>	<b>\$15,717,000</b>	<b>\$19,417,000</b>	<b>\$17,350,000</b>	<b>\$15,310,000</b>
Annual Margin on Power Sales	\$148,163,000	\$166,371,000	\$184,229,000	\$199,518,000	\$200,110,000	\$200,697,000	\$201,260,000	\$201,845,000	\$202,426,000	\$203,003,000
O&M Cost Inflationary Factor		2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Capital Cost Inflationary Factor		2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
<b>Rate Increase Percentage</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Annualized Rate Increase Revenue	\$17,138,000	\$17,832,000	\$18,457,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>L.T. Debt as % of Capitalization &lt;= 40%</b>	<b>41.0%</b>	<b>43.8%</b>	<b>44.5%</b>	<b>44.1%</b>	<b>44.0%</b>	<b>44.2%</b>	<b>44.2%</b>	<b>42.2%</b>	<b>40.4%</b>	<b>39.4%</b>
<b>Max Bond Service Coverage &gt;= 3.0</b>	<b>3.26</b>	<b>3.43</b>	<b>3.55</b>	<b>3.62</b>	<b>3.59</b>	<b>3.31</b>	<b>3.14</b>	<b>3.36</b>	<b>3.32</b>	<b>3.50</b>

# Electric Long-Range Plan Summary

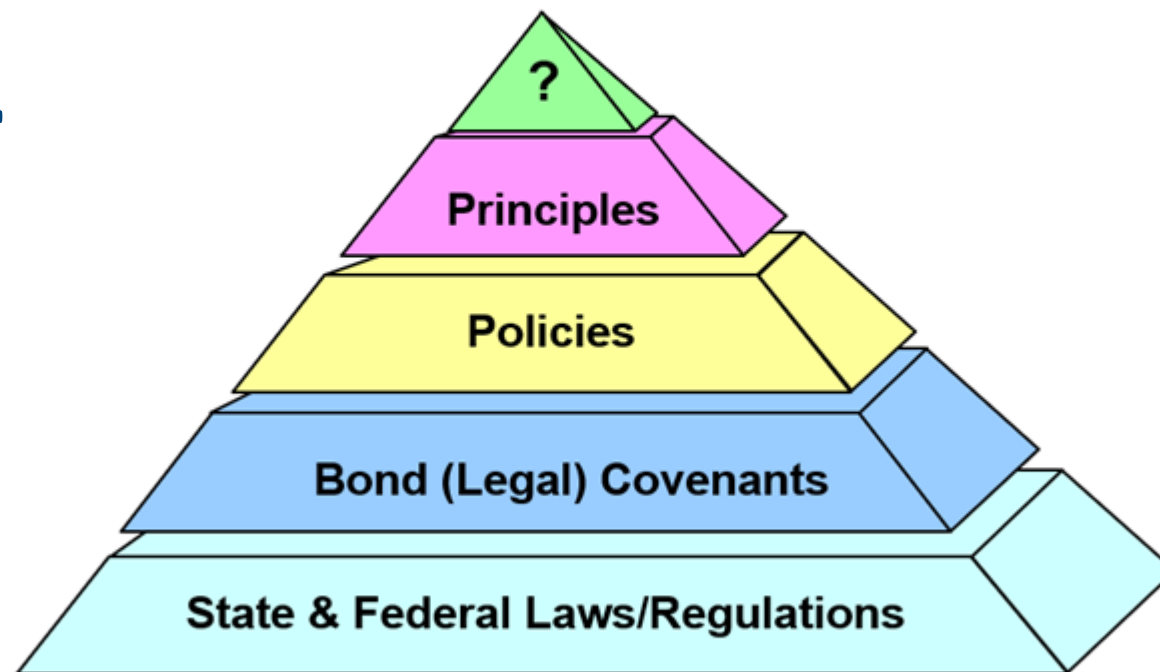
Year	Capital	Bonds	Total Outstanding Bonds	Debt Ratio	Debt Coverage	Rate Increase
2022	\$97M	\$60M	\$320M	41%	3.26	3%
2023	\$132M	\$85M	\$388M	44%	3.43	3%
2024	\$132M	\$68M	\$438M	45%	3.55	3%
2025	\$142M	\$57M	\$475M	44%	3.62	---
2026	\$135M	\$54M	\$510M	44%	3.59	---
2027	\$133M	\$57M	\$546M	44%	3.31	---
2028	\$131M	\$49M	\$572M	44%	3.14	---
2029	\$85M	\$0M	\$551M	42%	3.36	---
2030	\$81M	\$0M	\$530M	40%	3.32	---
2031	\$89M	\$12M	\$523M	40%	3.55	---



# Planning the Study

## The Rate Setting Decision Pyramid

### American Public Power Association (APPA) Guidance: Decision Pyramid



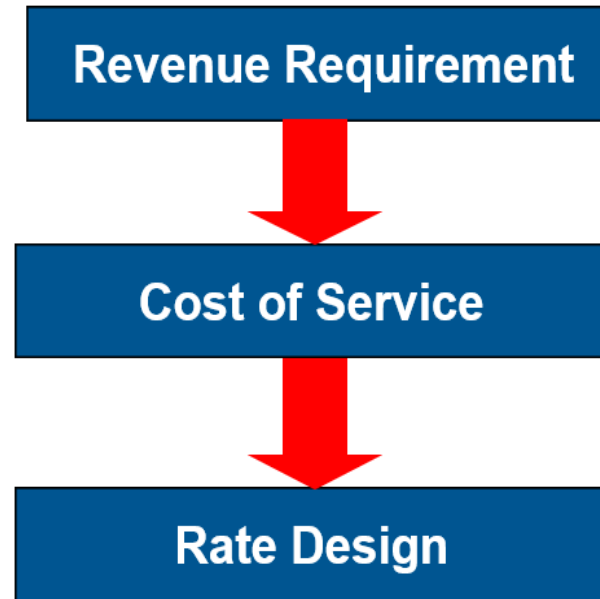
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# Rate Objectives

- Holistic approach – no objective considered in isolation
- Cost recovery – consistent with cost to serve
- Fairness to customers
- Gradual changes minimize customer impacts
- Rate stability and affordability
- Simplicity - especially for residential and small commercial

# Guidance from APPA

## Analytical Steps of Setting Rates



Compares the revenues of the utility to its expenses to determine the overall level of rate adjustment

Equitably allocates the revenue requirements between the various customer classes of service

Design rates for each class of service to meet the revenue needs of the utility, along with any other rate design goals and objectives

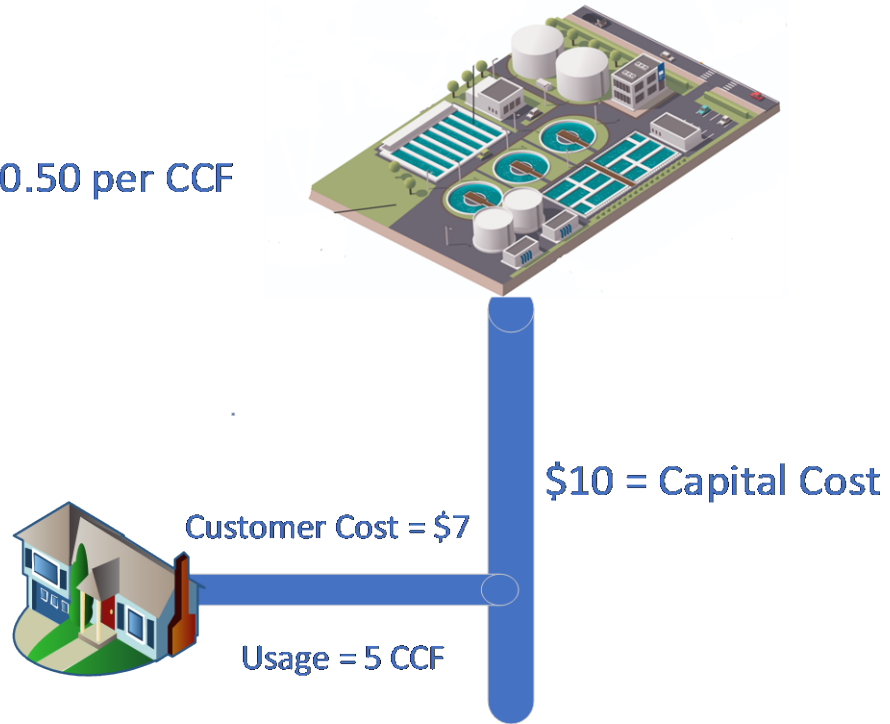
# Steps of Cost-of-Service Study

- Determine revenue requirement
- Divide requirements into energy supply and distribution costs
- Categorize costs into customer, energy, and demand
  - Fixed vs. Variable
- Allocate costs to each rate class



# Cost Recovery Example #1

Water Cost = \$0.50 per CCF



Cost \$19.50 = Revenue \$10 + \$7 + (5 \* \$0.50)

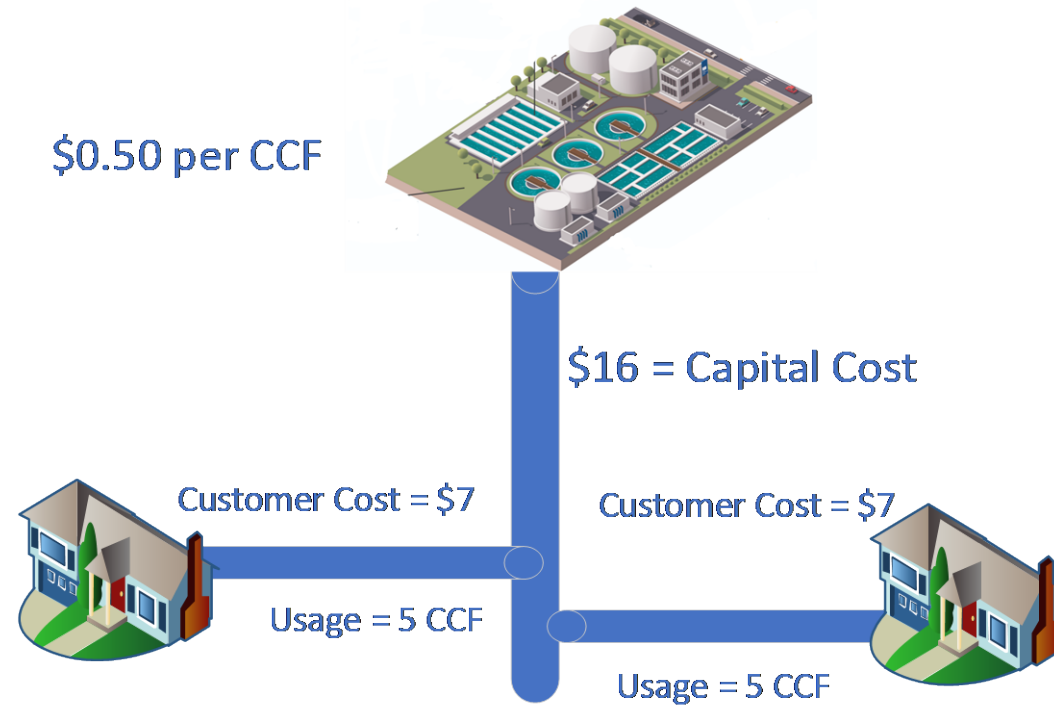
# Cost Recovery Example #2



$$\text{Cost } \$19.50 = \text{Revenue } \$10 + \$7 + (5 * \$0.50)$$

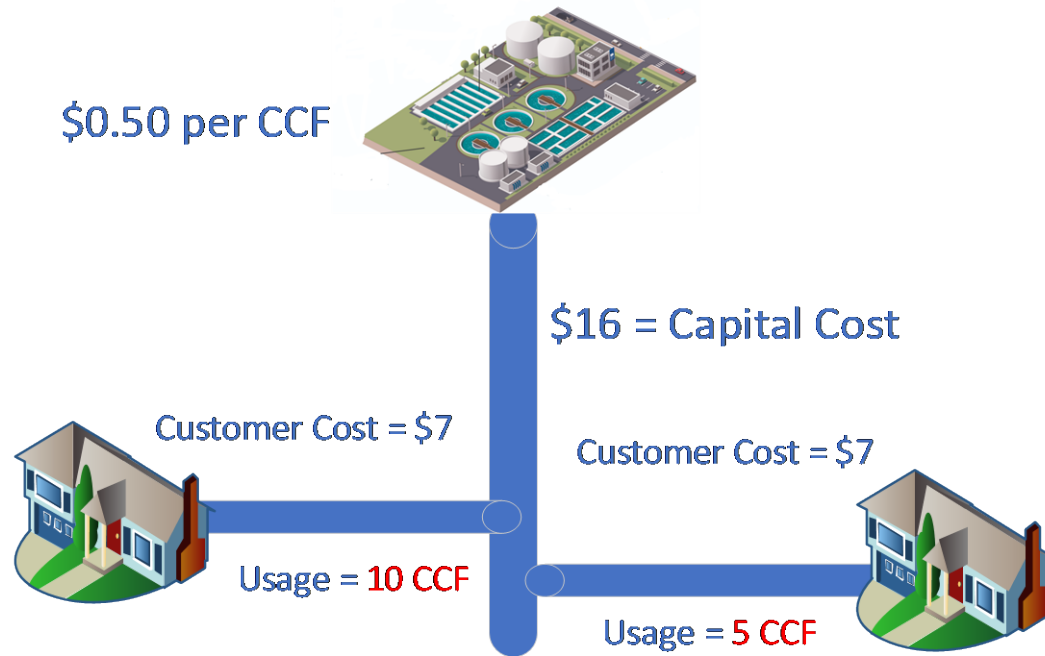
$$\text{Cost } \$19.50 = \text{Revenue } \$10 + \$7 + (5 * \$0.50)$$

# Cost Recovery Example #3



Cost  $\$35$  = Customer 1 Revenue? + Customer 2 Revenue?

# Cost Recovery Example #4



Cost \$37.50 = Customer 1 Revenue? + Customer 2 Revenue?

**KUB**