



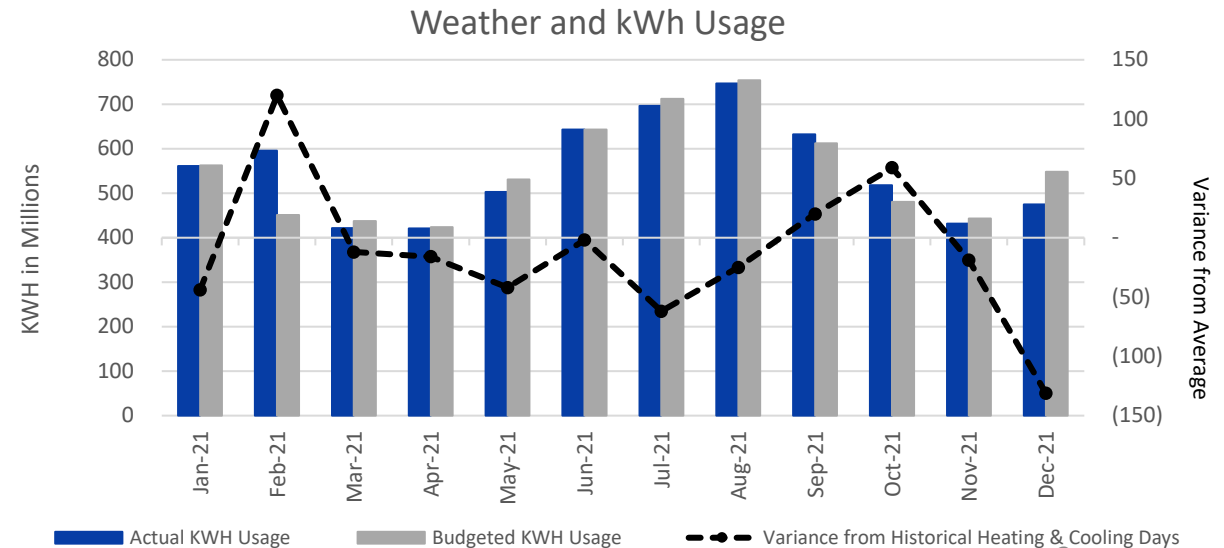
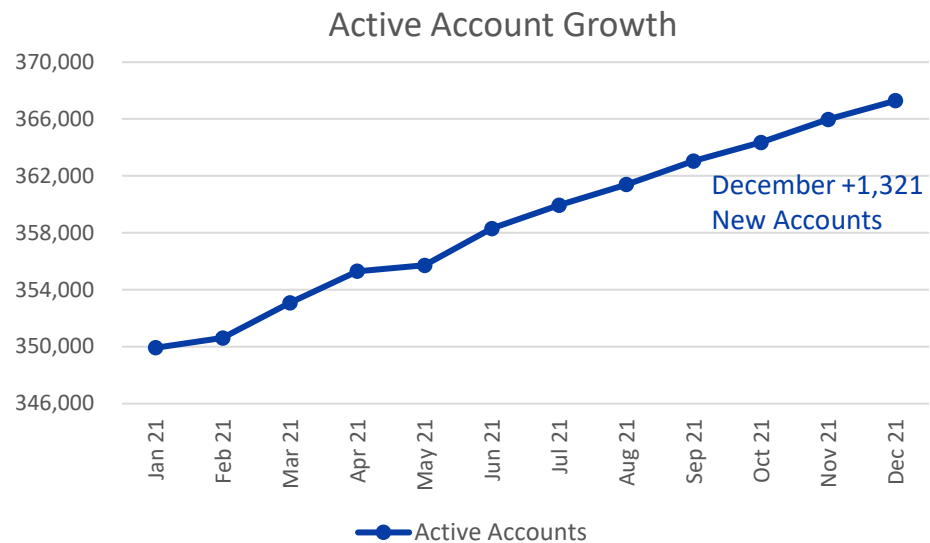
December 2021 Financial Presentation to the Board

Randy Kruger | Chief Financial Officer

Finance at a Glance – December 2021

	MTD			YTD		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
KWH Sold	474,722,354	548,516,797	(73,794,443)	6,644,752,823	6,679,855,230	(35,102,407)
Gross Margins	\$ 22,595,006	\$ 25,799,060	\$ (3,204,054)	\$ 309,562,849	\$ 306,325,615	\$ 3,237,234
Net Margins	\$ (12,001,490)	\$ 2,787,998	\$ (14,789,488)	\$ 32,988,911	\$ 41,523,692	\$ (8,534,781)
EBIDA	\$ 7,248,956	\$ 12,162,309	\$ (4,913,353)	\$ 153,598,996	\$ 150,858,904	\$ 2,740,092

	Liquidity Coverage
Cash & Marketable Securities	\$ 9,038,687
Short Term Facilities	505,000,000
Less: Short Term Borrowings	101,996,940
Available Liquidity	\$ 412,041,747
Liquidity Coverage (Days)	206

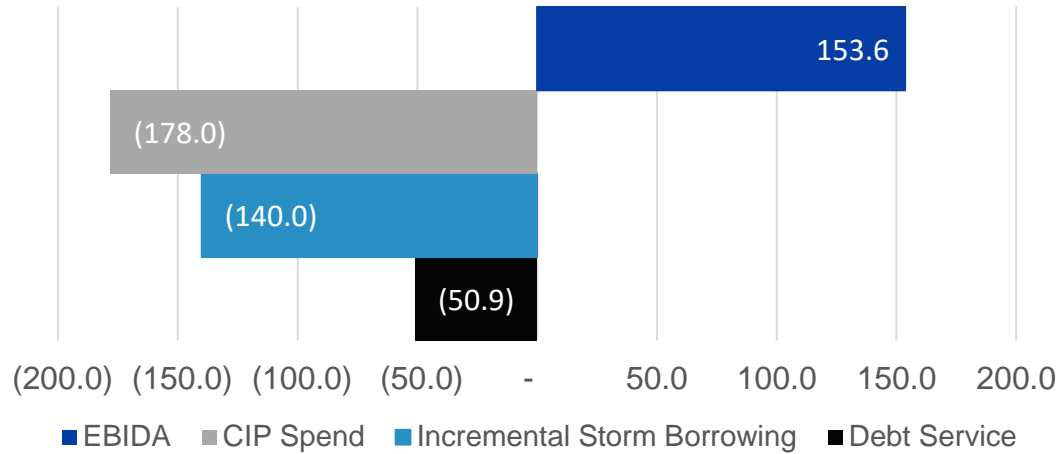


Financial Performance

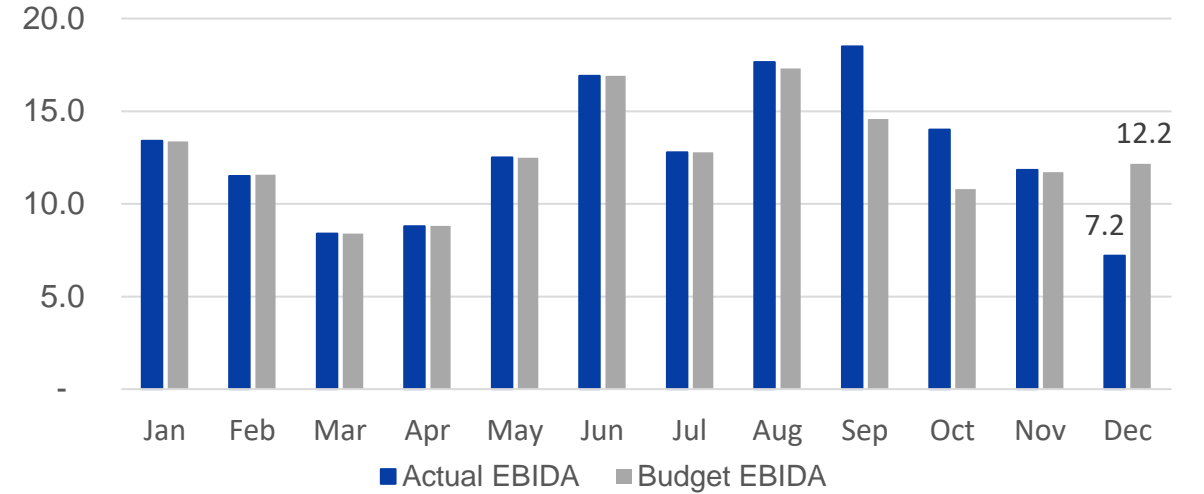
	MTD			YTD			2020 to 2021 % Change
	Actual	Budget	Prior Year	Actual	Budget	Prior Year	
Gross Margins	\$ 22,595,006	\$ 25,799,060	\$ 24,020,724	\$ 309,562,849	\$ 306,325,615	\$ 287,382,455	7.72%
Operating Expenses Ex. Depreciation	15,544,816	13,749,845	13,966,452	158,998,795	158,547,139	148,505,027	7.07%
Depreciation	17,659,463	6,071,834	5,719,235	82,171,010	70,815,938	69,664,300	
Interest Expense	1,590,983	3,302,478	3,879,816	38,439,075	38,519,274	38,391,339	
Other Income and Interest Expenses	(198,766)	(113,094)	25,560	(3,034,942)	(3,080,427)	(2,978,801)	
Net Margins	\$ (12,001,490)	\$ 2,787,998	\$ 429,661	\$ 32,988,911	\$ 41,523,692	\$ 33,800,590	
EBIDA	\$ 7,248,956	\$ 12,162,309	\$ 10,028,712	\$ 153,598,996	\$ 150,858,904	\$ 141,856,229	8.28%
Over (Under) Collected Revenues	(1,506,434)	1,381,204	(2,596,204)	(131,043,455)	(140,486,570)	19,711,870	
EBIDA(X)	\$ 5,742,522	\$ 13,543,513	\$ 7,432,508	\$ 22,555,541	\$ 10,372,334	\$ 161,568,099	
Total Long-Term Debt				\$ 1,024,704,411	\$ 1,025,136,356	\$ 837,927,424	
Debt Service				50,936,387	50,937,127	70,867,853	
Debt Service Coverage Ratio				3.02	2.96	2.01	
Equity as Percent of Assets				39.0%	39.3%	40.1%	
Net Plant in Service				\$ 1,826,245,198	\$ 1,831,186,277	\$ 1,733,708,194	
Capital Improvement Spend				\$ 178,035,332	\$ 168,802,086	\$ 160,048,931	
Energy Sales kWh	474,722,354	548,516,797	547,415,884	6,644,752,823	6,679,855,230	6,533,473,552	1.70%
Energy Purchases kWh	506,505,569	584,645,262	579,006,003	7,087,320,878	7,121,202,337	6,953,846,535	1.92%
Active Meters				367,289	367,945	348,280	5.46%

Financing Sources & Uses

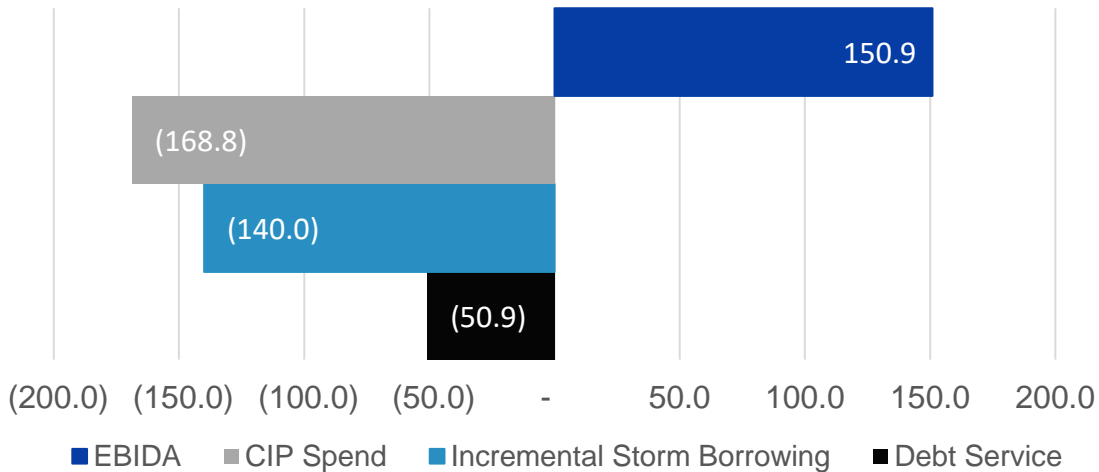
Annual Forecast



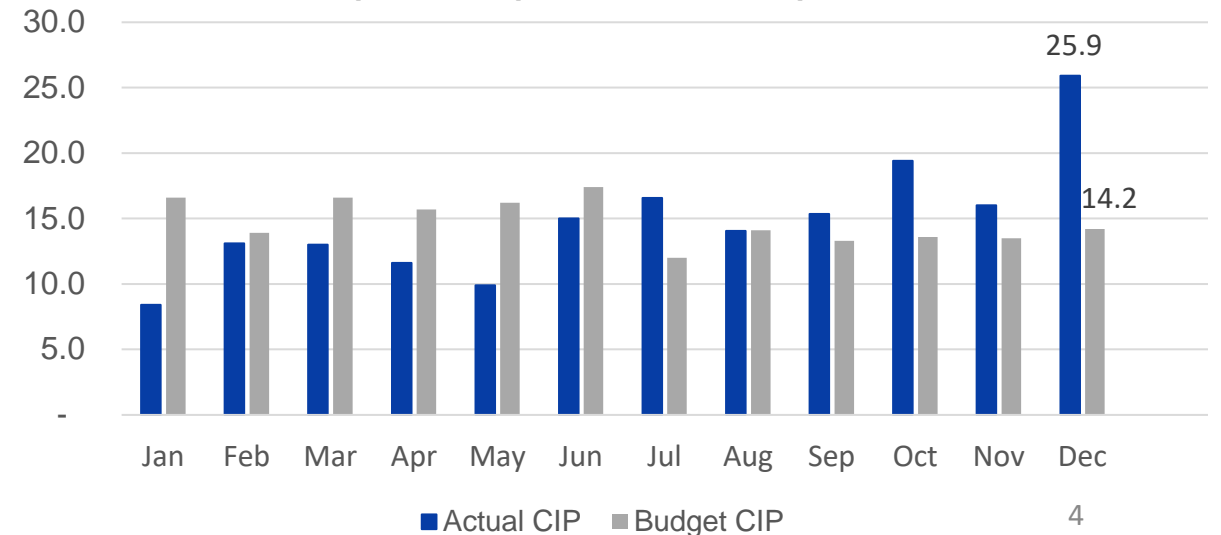
EBIDA by Month



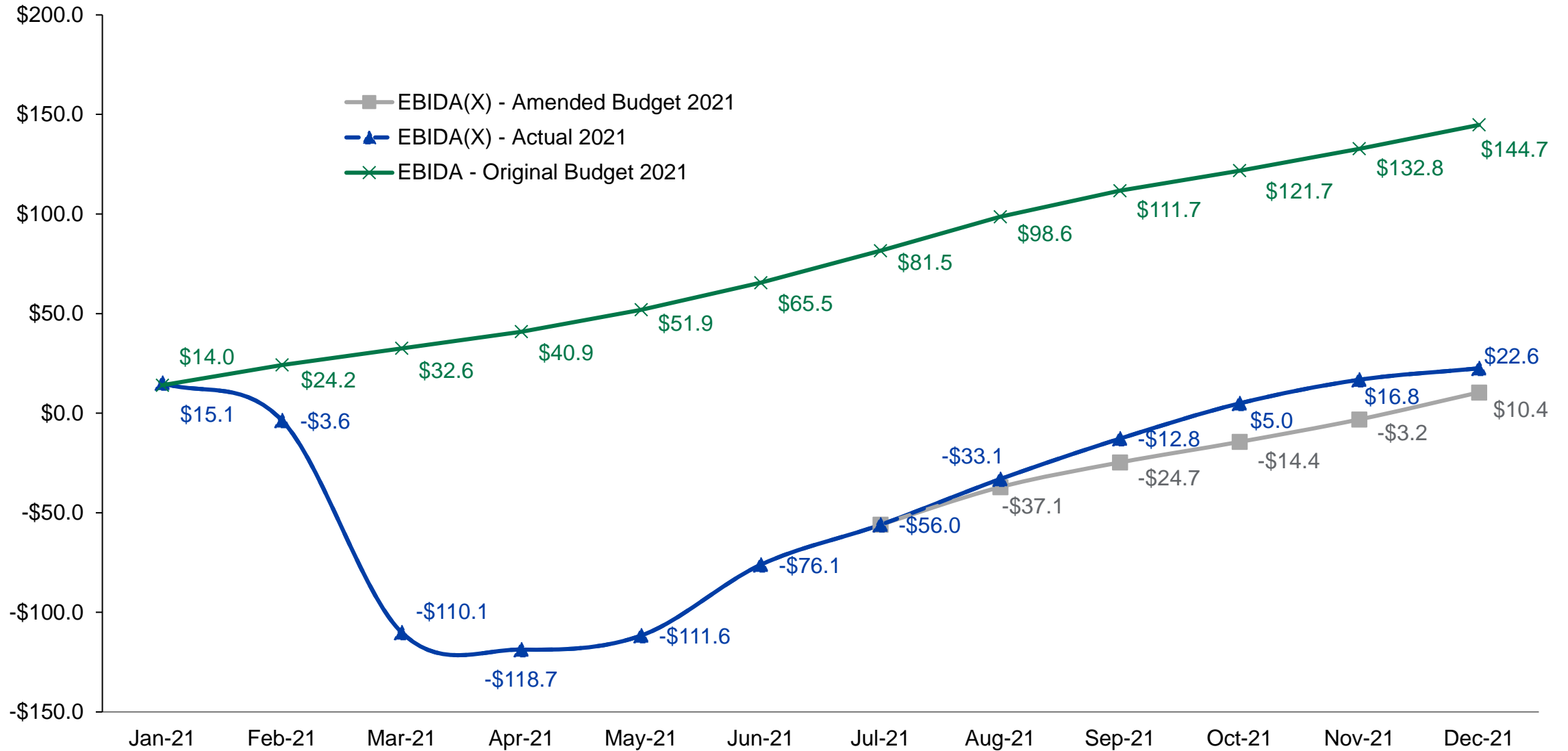
Annual Budget



Capital Improvement Spend

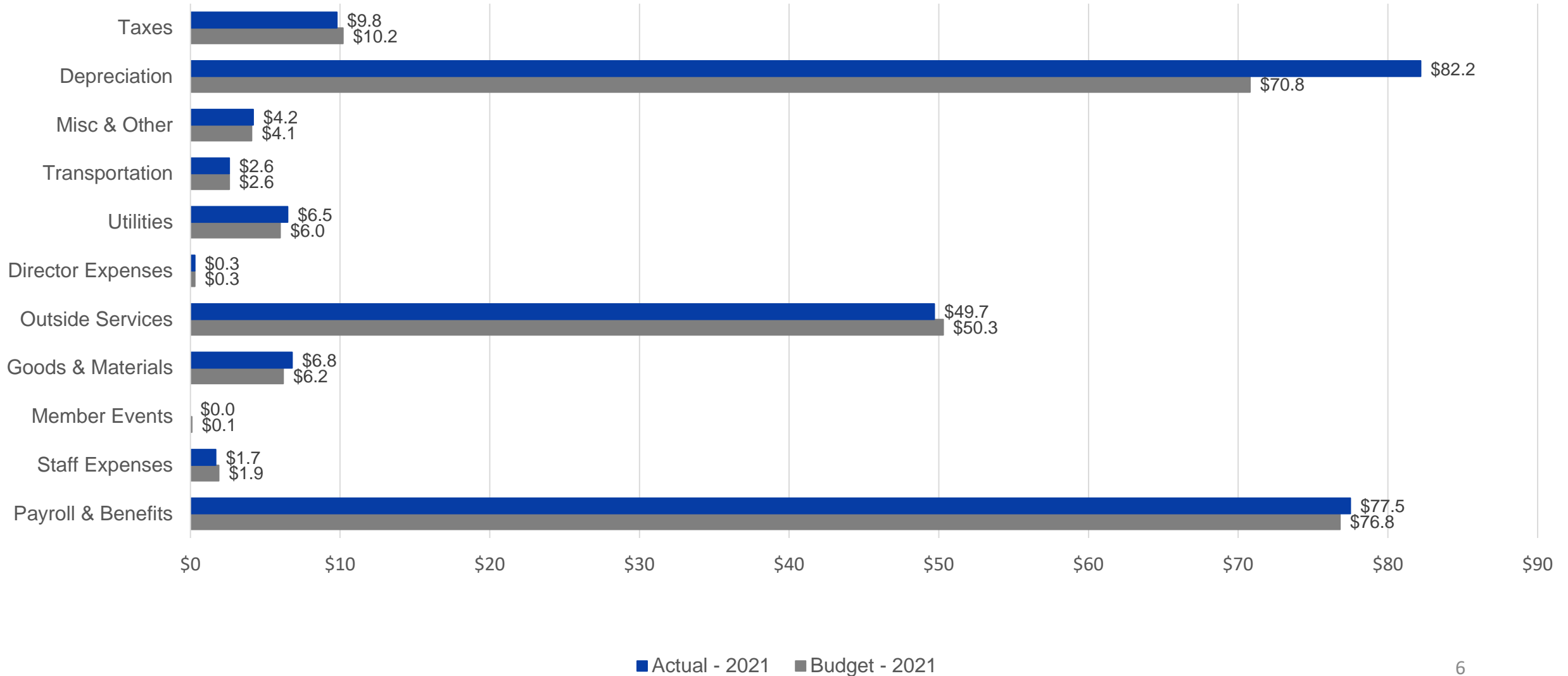


EBIDA(X) Year-End (in millions)



Cost of Service (in millions)

YTD Actual vs Budget through Year-End December 2021

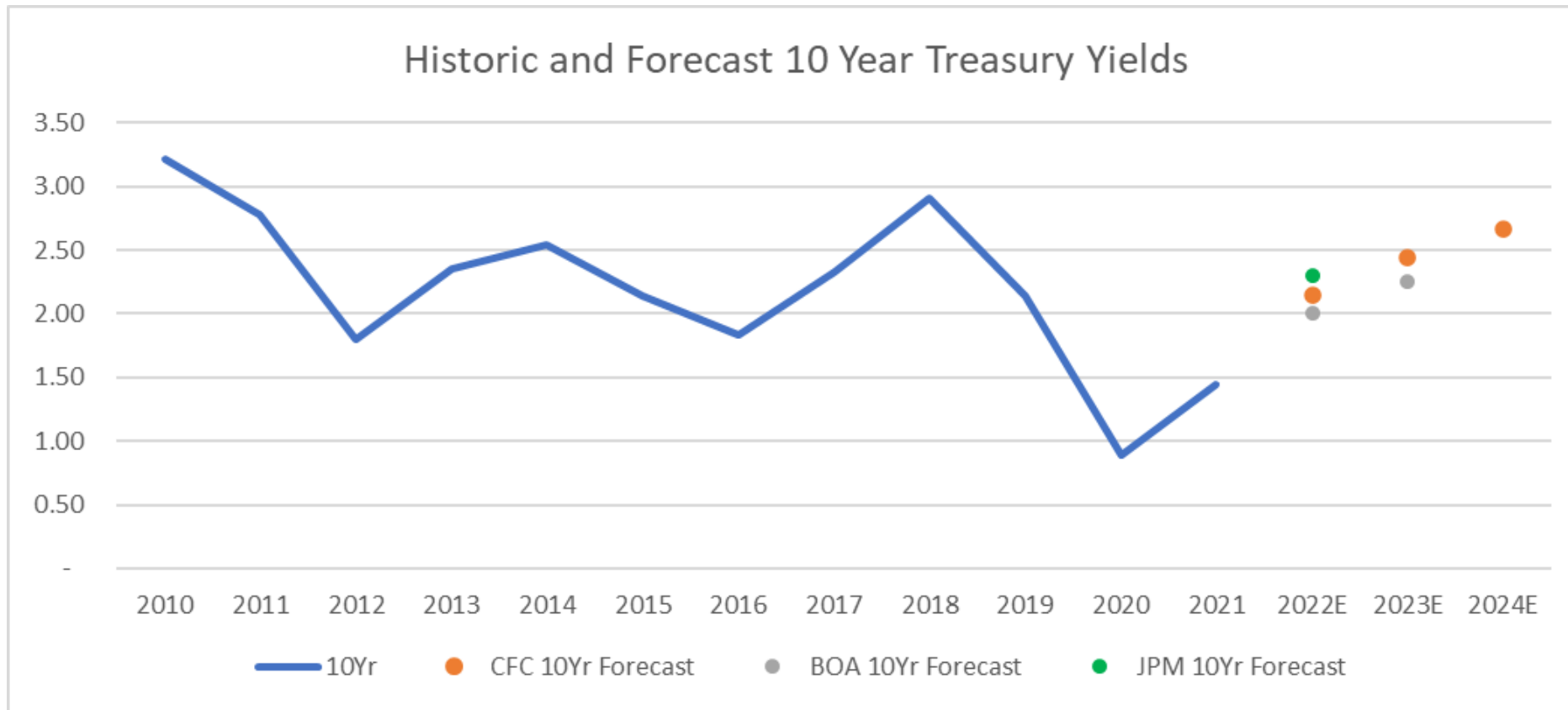


CIP Spend

RUS 740C Construction Code & Description		YTD Actuals	YTD Budget	Variance (Over)/Under Budget
<u>Distribution</u>				
100	New Lines (Line Extensions for new primary, secondary and service lines)	\$ 27,416,322	\$ 25,170,000	\$ (2,246,322)
200	Tie Lines (new construction between existing lines)	5,862,405	4,391,582	(1,470,823)
300	Conversions or Line Changes	13,463,771	10,802,927	(2,660,844)
600	Miscellaneous Distribution Equipment	58,215,347	47,916,315	(10,299,032)
700	Other Distribution Items	(1,233,020)	(1,364,707)	(131,687)
Distribution Total		\$ 103,724,825	\$ 86,916,117	\$ (16,808,708)
<u>Substation</u>				
400	New Substations, Switching Stations and Meter Points	\$ 3,784,792	\$ 4,625,176	\$ 840,384
500	Substations, Switching Stations and Meter Point changes	\$ 18,003,857	16,756,808	(1,247,049)
Substation Total		\$ 21,788,649	\$ 21,381,984	\$ (406,665)
<u>Transmission</u>				
800	New Transmission Lines	147,566	300,000	152,434
1000	Line and Station Changes	26,628,698	24,089,500	(2,539,198)
Transmission Total		\$ 26,776,263	\$ 24,389,500	\$ (2,386,763)
<u>General Plant</u>				
FAC	Facilities	\$ 17,279,556	\$ 22,850,033	\$ 5,570,477
ITD	Information Technology	5,528,027	8,087,520	2,559,493
TEQ	Tools & Equipment	252,475	471,015	218,540
VEH	Vehicles	2,731,219	4,705,917	1,974,698
Total General Plant		\$ 25,791,276	\$ 36,114,485	\$ 10,323,209
Accrued WIP (unidentified projects)		\$ (45,681)	\$ -	\$ 45,681
Total Capital Improvement Plan Spend		\$ 178,035,332	\$ 168,802,086	\$ (9,233,246)

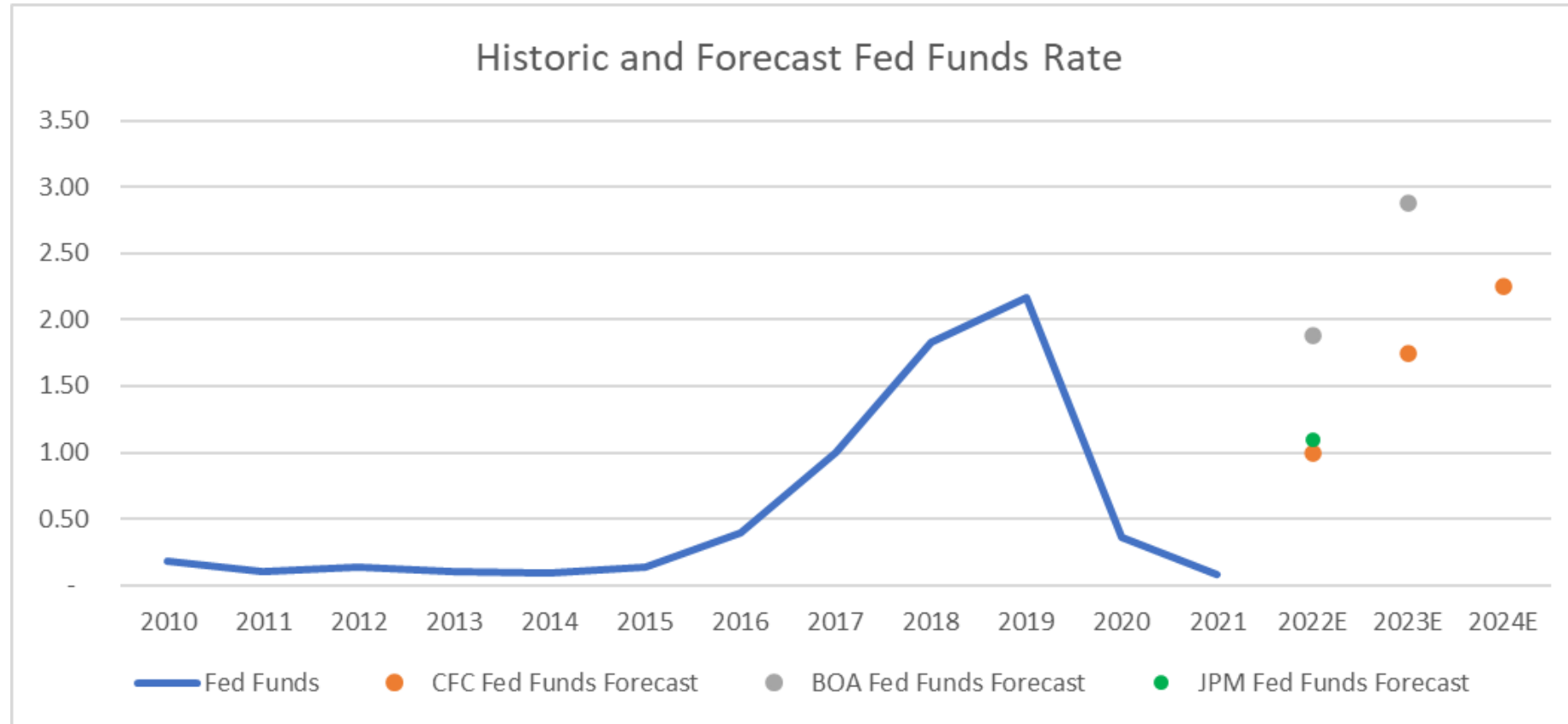
Sensitivity Analysis

Long-Term Borrowing Costs



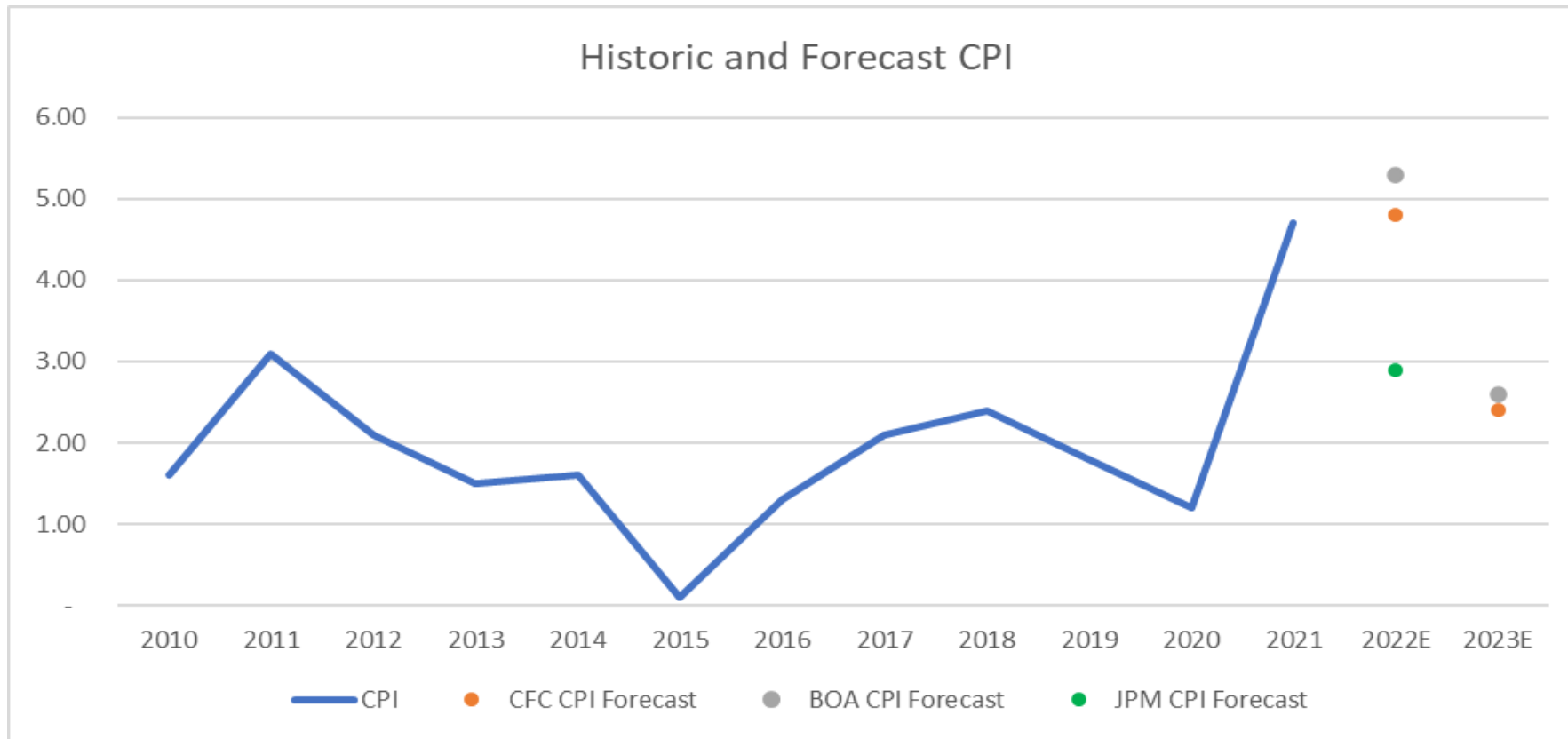
- PEC long-term debt prices off the 10 Year Treasury Note
- Latest bond offering locked in rates when 10Yr at 1.74% (funds January 2023)
- Do not anticipate new debt issuance until 2025/2026

Short-Term Borrowing Costs



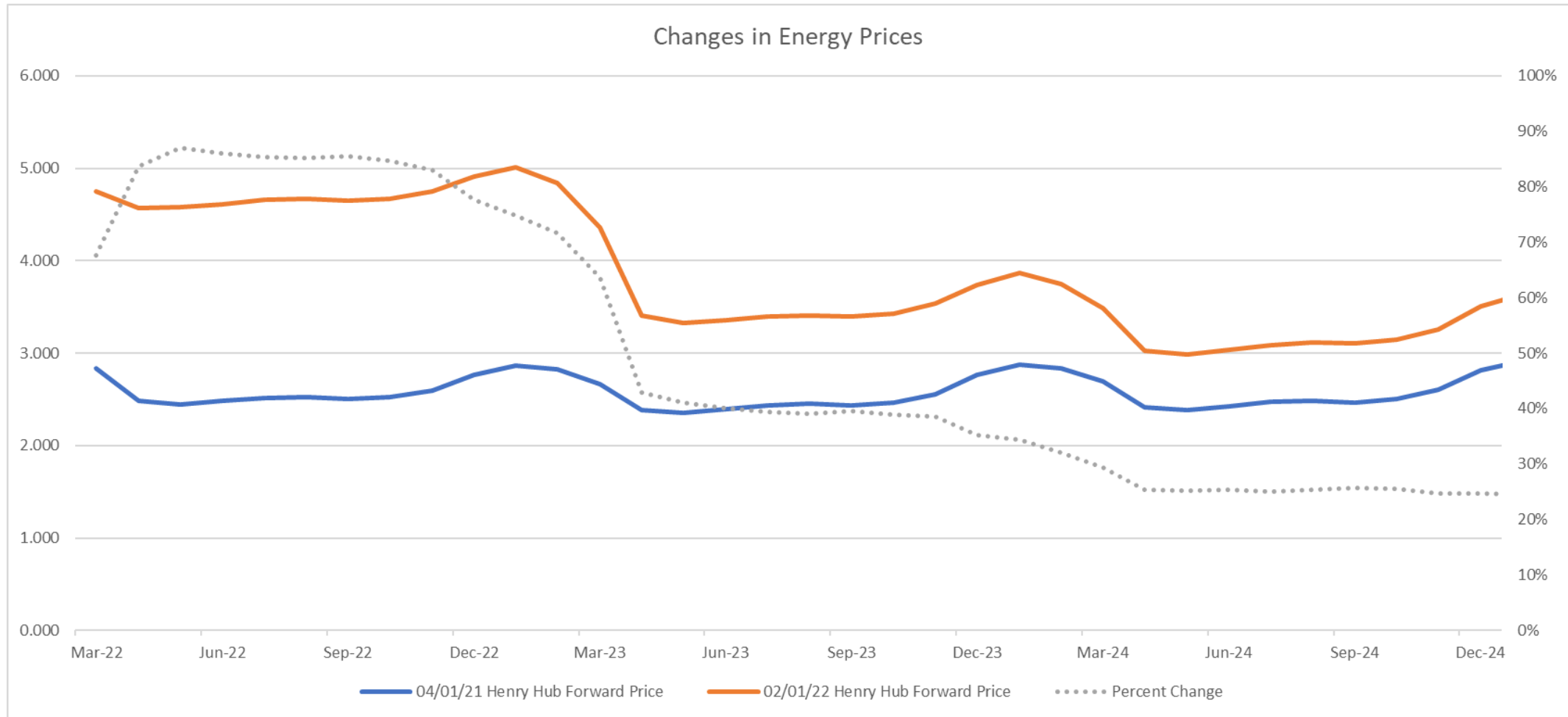
- PEC short term debt (commercial paper) rates influenced by Fed Funds rates
- Highly likely that the Fed will start raising short term interest rates in 2022. This will increase short-term borrowing costs

Inflation



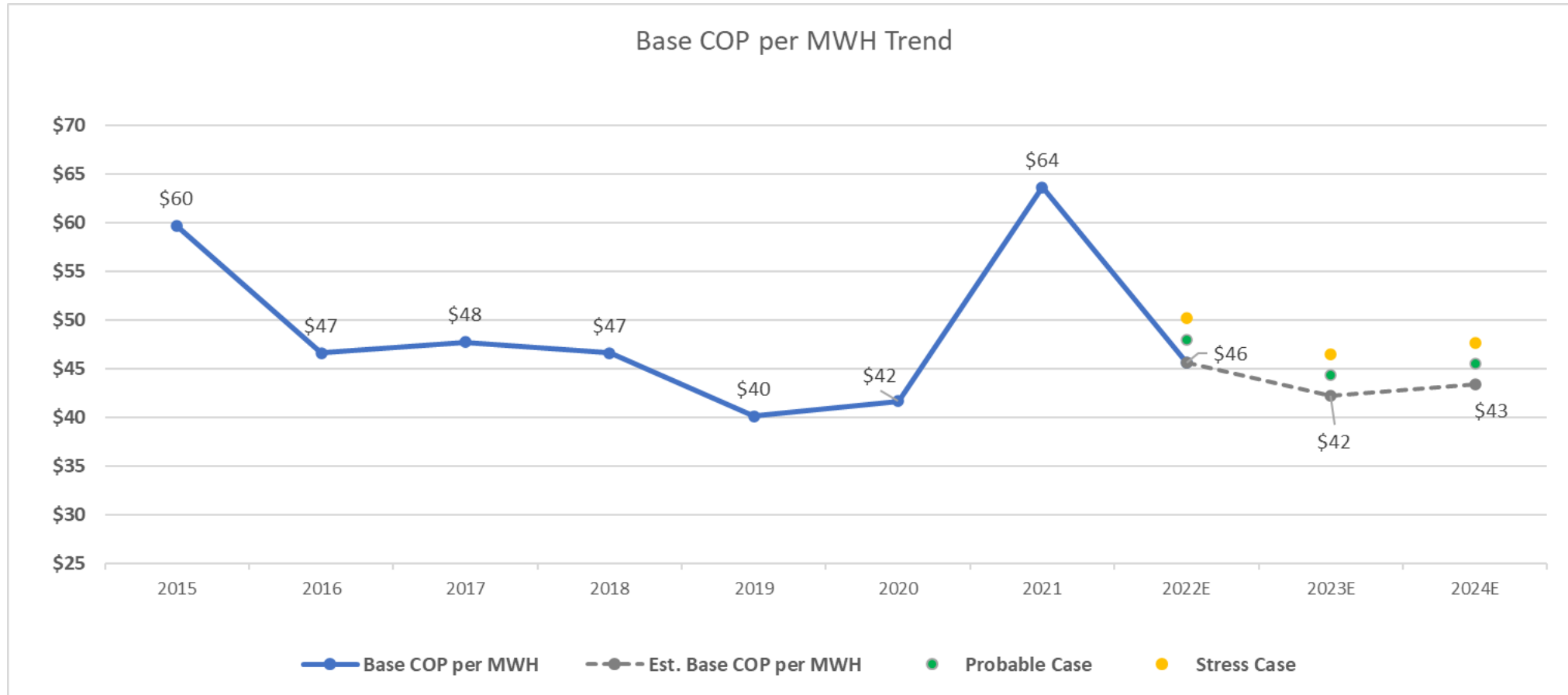
- Inflation will impact our largest categories of spend: power supply, labor and materials
- 2021 inflation just under 5% and forecast are calling for high inflation in 2022 before moderating in 2023

Forward Energy Prices



- Price increases more pronounced in earlier periods

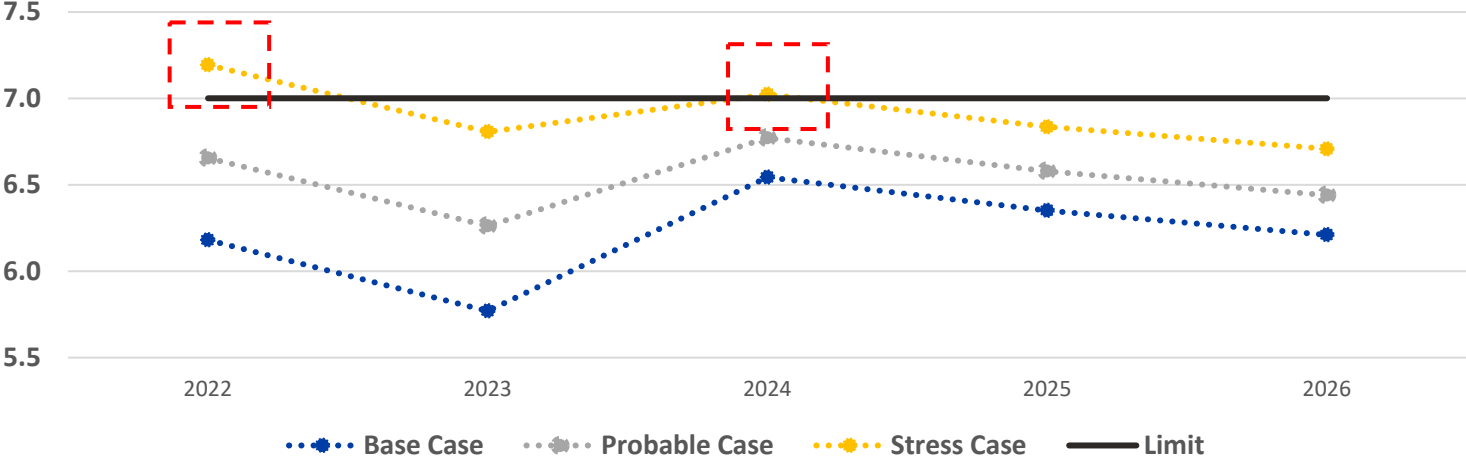
Base Cost of Power per MWH



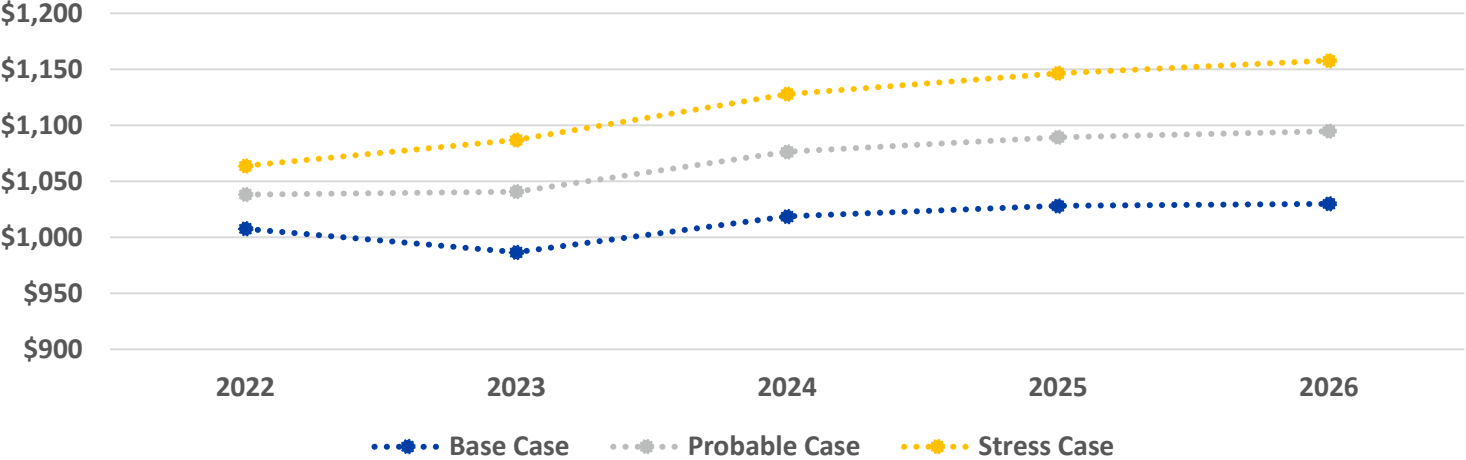
- 2021 outlier with Winter Storm URI (\$22.57 additional cost per MWH)
- \$1/MWH increase in COP = approx. \$7M impact

Scenario Analysis: 2022 + 2023

Cash-Based Leverage Ratio



Long-Term Debt Balance (\$M)



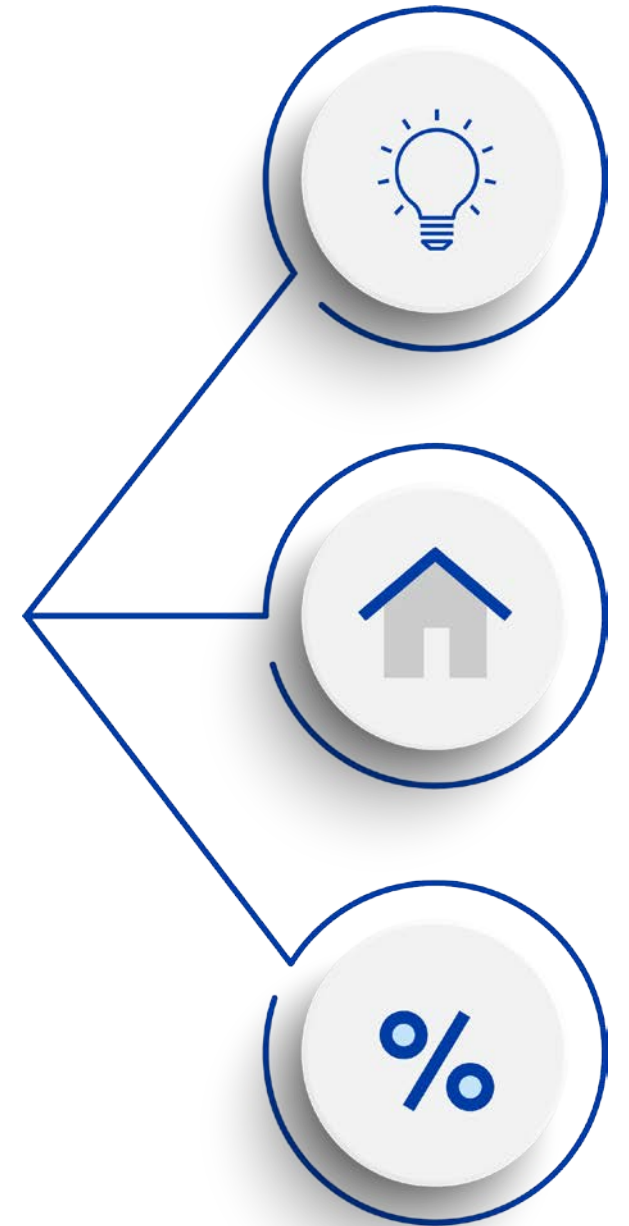
2022 Increase over Budget	Probable	Stress
Inflation – Overall	+4.3%	+5.3%
Cost of Power	+5%	+10%
Short Term Interest Rates	+125 bps	+180 bps

2023 Increase over Budget	Probable	Stress
Inflation – Overall	+2.5%	+2.6%
Cost of Power	+5%	+10%
Short Term Interest Rates	+100 bps	+100 bps

- Inflationary pressures could result in over \$100M additional debt in 5-year horizon
- 2023 results assume return to normal inflation levels

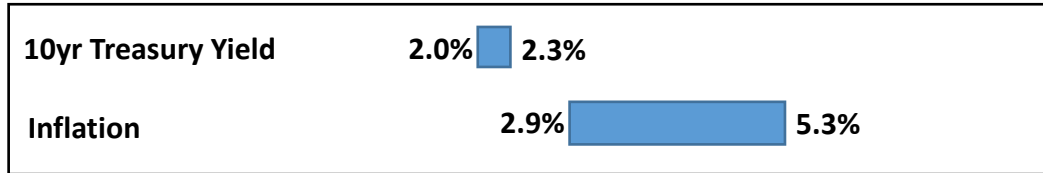
Mitigating Actions

- We will always look for alternative ways to mitigate rising costs before increasing rates
- The Board has already taken the following actions:
 - ✓ Removal of solar subsidy
 - ✓ Ended line extension subsidy
 - ✓ Quick recovery of 2021 storm costs
 - ✓ Approval of 2021 recapitalization and 2002 Bond defeasance
 - ✓ Approval of 2022 bond offering
- We will implement a review of the way we work in order to build in operational efficiencies as the first line of defense against rate increases. This review will ensure we:
 - Eliminate duplication of efforts
 - Maximize efficiency and eliminate non-member value added services
 - Utilize technology as an efficiency enabler

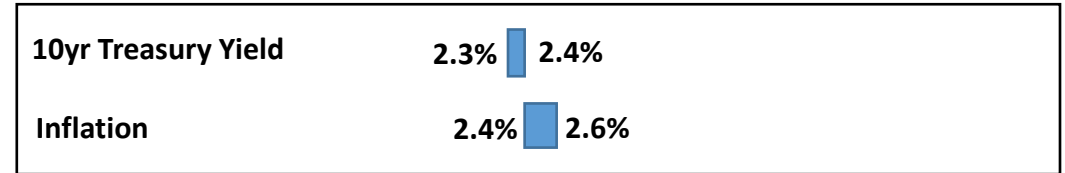


Looking Forward

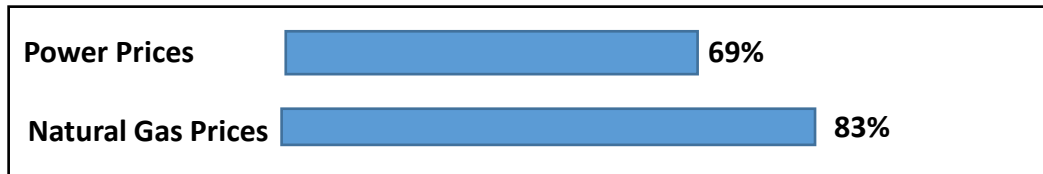
2022 Inflation and Interest Rate Ranges



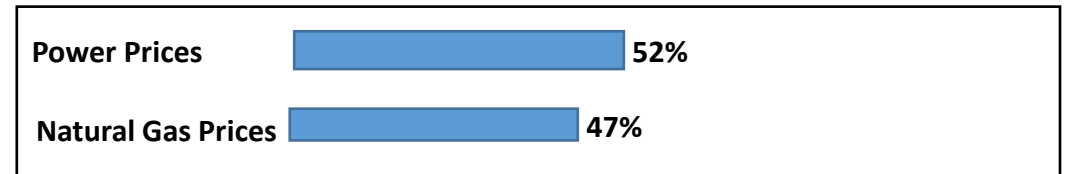
2023 Inflation and Interest Rate Ranges



2022 Increase in Commodity Forward Prices



2023 Increase in Commodity Forward Prices



- Inflationary pressures are real and at levels not experienced since the early 1980s
- Range of outcomes for inflation, cost of power, and interest rates
 - If in mid to lower ranges of forecasts, PEC may be able to withstand the increases without increasing rates
 - Increases at the upper end of the forecasted ranges would trigger a need for a rate increase
- We will provide quarterly updates throughout the remainder of the year



PROUD

