



2022 Operating & Capital Budget

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Approval of the 2022 Budget

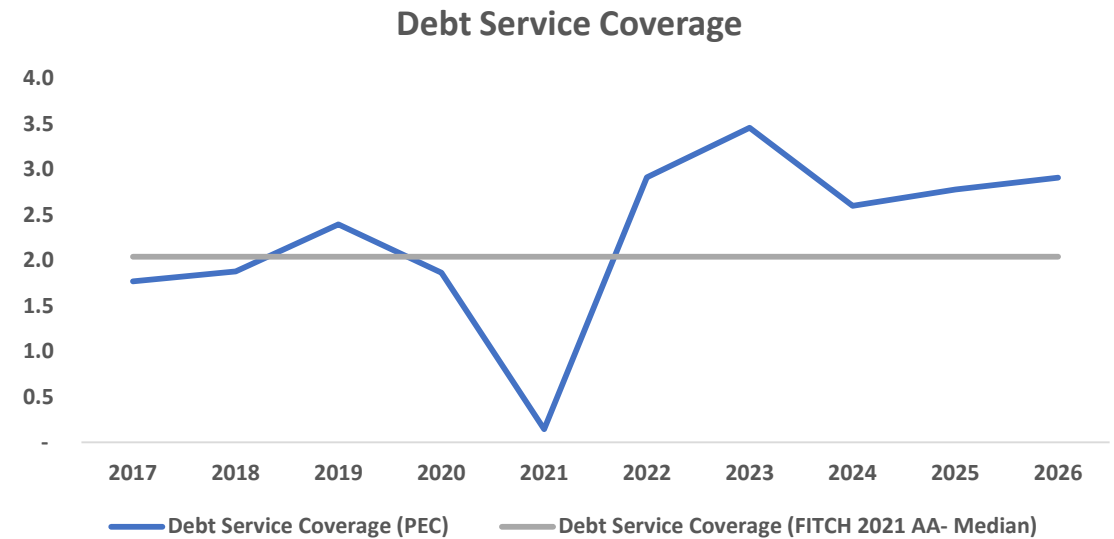
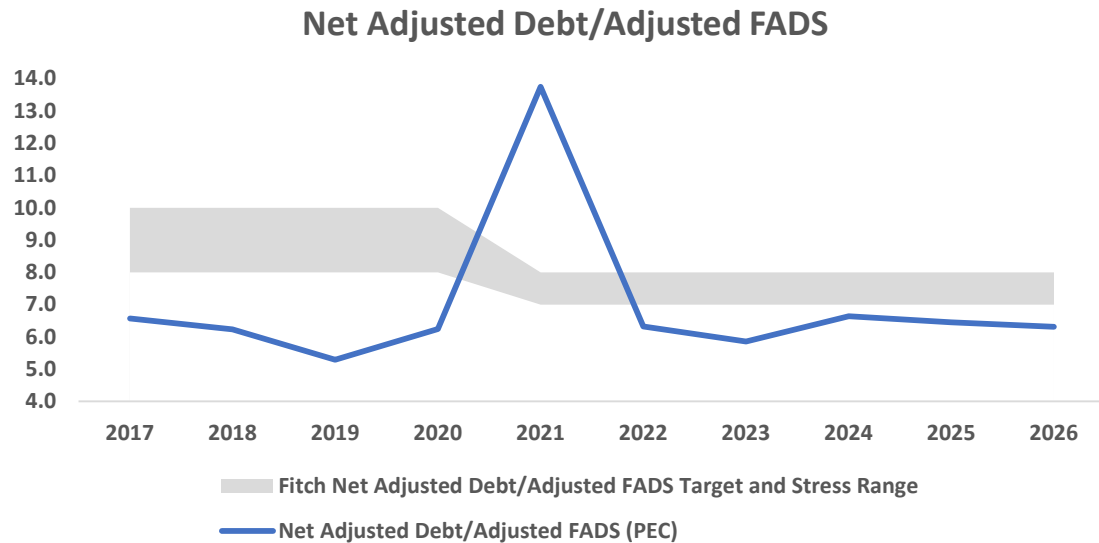
- With Final Budget approval, you will be approving:
 - **2022 Gross Margins** – Slide 5
 - **2022 Operating Expenses** – Slide 6
 - **2022 Headcount** – Slide 7
 - **2022 Capital spend by asset type** – Slide 8
 - **2022 Fleet budget in full** – Slide 9
- Additionally, starting with the 2022-2023 budget cycle, we are requesting that the Board approve all multi-year capital projects with spend starting in 2021 or 2022 – Slides 10, 11
 - This will give full visibility to the Board and avoid the need to seek re-approval if costs move between years of the project.

Financial outlook indicates improved debt ratios

	Historical	Forecast	Future Budget Years					2021 to 2026
	2020	2021	2022	2023	2024	2025	2026	CAGR
Gross Margins	\$ 286,190,326	\$ 305,023,428	\$ 332,824,766	\$ 347,990,153	\$ 364,625,018	\$ 380,813,816	\$ 397,103,375	5.42%
Operating Expenses Ex. Depreciation	147,399,330	157,217,972	165,745,081	171,481,240	177,479,422	183,672,430	190,085,969	3.87%
Depreciation	69,664,300	70,815,938	76,695,026	82,082,454	88,174,695	93,535,711	97,869,226	
Interest Expense	38,391,337	38,519,274	43,103,481	41,691,532	45,509,424	44,386,327	43,027,941	
Other Income and Interest Expenses	(3,065,234)	(3,053,448)	(2,655,711)	(5,655,711)	(2,655,711)	(2,655,711)	(2,655,711)	
Net Margins	\$ 33,800,592	\$ 41,523,692	\$ 49,936,889	\$ 58,390,638	\$ 56,117,188	\$ 61,875,060	\$ 68,775,951	10.62%
EBIDA	\$ 141,856,230	\$ 150,858,905	\$ 169,735,396	\$ 182,164,625	\$ 189,801,307	\$ 199,797,097	\$ 209,673,117	6.81%
Over (Under) Collected Revenues	19,711,870	(140,486,570)	40,435,604	53,324,327	6,555,378	8,792,543	7,553,802	
EBIDA(X)	\$ 161,568,100	\$ 10,372,334	\$ 210,171,001	\$ 235,488,951	\$ 196,356,685	\$ 208,589,640	\$ 217,226,919	
Total Long-Term Debt	834,924,720	1,030,355,905	1,040,538,177	1,017,632,346	1,051,176,388	1,062,109,879	1,065,400,221	
New Debt Issued	98,981,541	210,265,000	39,139,703	2,510,192	62,780,929	41,046,510	34,316,046	
Debt Service	85,374,810	50,936,387	71,288,720	66,501,192	74,540,247	74,168,687	73,798,324	
Debt Service Coverage (DSC) Ratio	1.66	2.96	2.38	2.74	2.55	2.69	2.84	
Equity as Percent of Assets	40.1%	39.0%	40.3%	41.8%	42.5%	43.6%	45.0%	
Funds Available for Debt Service (FADS) Ratio	6.25	13.75	6.33	5.86	6.64	6.45	6.31	
Rating Agency Cash Basis DSC Ratio	1.87	0.15	2.91	3.46	2.60	2.78	2.91	
Net Plant in Service	\$ 1,733,290,129	\$ 1,831,276,277	\$ 1,923,846,600	\$ 2,004,273,238	\$ 2,084,135,565	\$ 2,148,866,797	\$ 2,210,929,793	3.84%
Capital Improvement Spend	\$ 160,048,931	\$ 168,802,086	\$ 169,265,349	\$ 162,509,091	\$ 168,037,023	\$ 158,266,943	\$ 159,932,222	
Energy Sales kWh	6,533,473,552	6,679,855,230	7,091,219,870	7,449,837,730	7,761,838,389	8,013,992,145	8,138,430,602	4.03%
Energy Purchases kWh	6,961,106,873	7,123,992,994	7,571,421,437	7,953,915,064	8,286,687,848	8,555,629,292	8,688,352,511	3.50%
Year-End Meter Count	348,280	367,945	386,505	403,720	420,780	438,492	454,928	4.34%
Account Growth	18,578	19,665	18,560	17,216	17,060	17,712	16,436	

- Under collection in 2021 to be collected in 2022-2023 from rate actions approved in August 2021
- Net margin growth greater than gross margin growth due to intentional spend reductions and deferrals to reduce debt leverage

Financial Ratios are within target range for 5-year forecast



- Fitch requirement to stay under Funds Available for Debt Service (FADS) of 8.0
- Debt Service Coverage (DSC) based on Fitch calculations (cash basis)
- Must generate approximately \$0.10 in EBIDA for 2X coverage of debt service generated by \$1 in debt funded capital spend

Gross Margin increases \$92M from 2021-2026

	Historical	Forecast	Budget Years				
	2020	2021	2022	2023	2024	2025	2026
Sale of Electricity	630,919,952	661,485,179	761,022,903	783,971,895	778,826,298	808,202,794	827,670,535
Power Cost Adjustment (O/U)	(19,711,870)	140,486,570	(40,435,604)	(53,324,327)	(6,555,378)	(8,792,543)	(7,553,802)
Other Electric Revenue	13,785,155	14,201,365	15,347,280	15,778,749	16,061,529	16,537,505	16,949,382
Transmission Revenues	18,066,110	21,901,113	24,942,340	27,330,904	31,211,852	35,919,593	44,101,029
Total Revenue	643,059,348	838,074,228	760,876,918	773,757,220	819,544,301	851,867,348	881,167,144
Purchased Power	356,869,022	533,050,800	428,052,152	425,767,067	454,919,282	471,053,532	484,063,769
Gross Margin	286,190,326	305,023,428	332,824,766	347,990,153	364,625,018	380,813,816	397,103,375

- Gross margin growth driven by:
 - 66% Load / Account increases
 - 24% Transmission revenues
 - 7% Distribution rate change
 - 3% Other electric revenue

Operating expense growth restricted to business needs

	Historical	Forecast	Budget Years				
	2020	2021	2022	2023	2024	2025	2026
Payroll & Benefits	70,198,948	75,657,611	80,652,465	83,878,563	87,233,706	90,723,054	94,351,976
Staff Expenses	1,851,531	1,922,596	2,225,354	2,269,861	2,315,259	2,361,564	2,408,795
Member Events	12,437	59,273	106,860	108,997	111,177	113,401	115,669
Goods & Materials	6,588,054	6,159,494	6,893,268	7,100,066	7,313,068	7,532,460	7,758,434
Outside Services	47,558,048	50,157,135	50,679,943	52,166,760	53,698,182	55,275,547	56,900,232
Director Expenses	248,817	290,555	264,930	264,930	264,930	264,930	264,930
Utilities	5,683,722	6,033,050	7,229,450	7,374,039	7,521,520	7,671,950	7,825,389
Transportation	2,089,059	2,582,310	2,308,618	2,354,790	2,401,886	2,449,924	2,498,922
Miscellaneous & Other Expense	4,578,332	4,109,371	5,018,146	5,118,509	5,220,879	5,325,297	5,431,803
Depreciation	69,664,300	70,815,938	76,695,026	82,082,454	88,174,695	93,535,711	97,869,226
Tax Expense	8,466,392	10,246,576	10,366,047	10,844,723	11,398,815	11,954,303	12,529,818
Donations	123,991	-	-	-	-	-	-
Total Operating Expenses	217,063,630	228,033,910	242,440,107	253,563,693	265,654,117	277,208,140	287,955,194

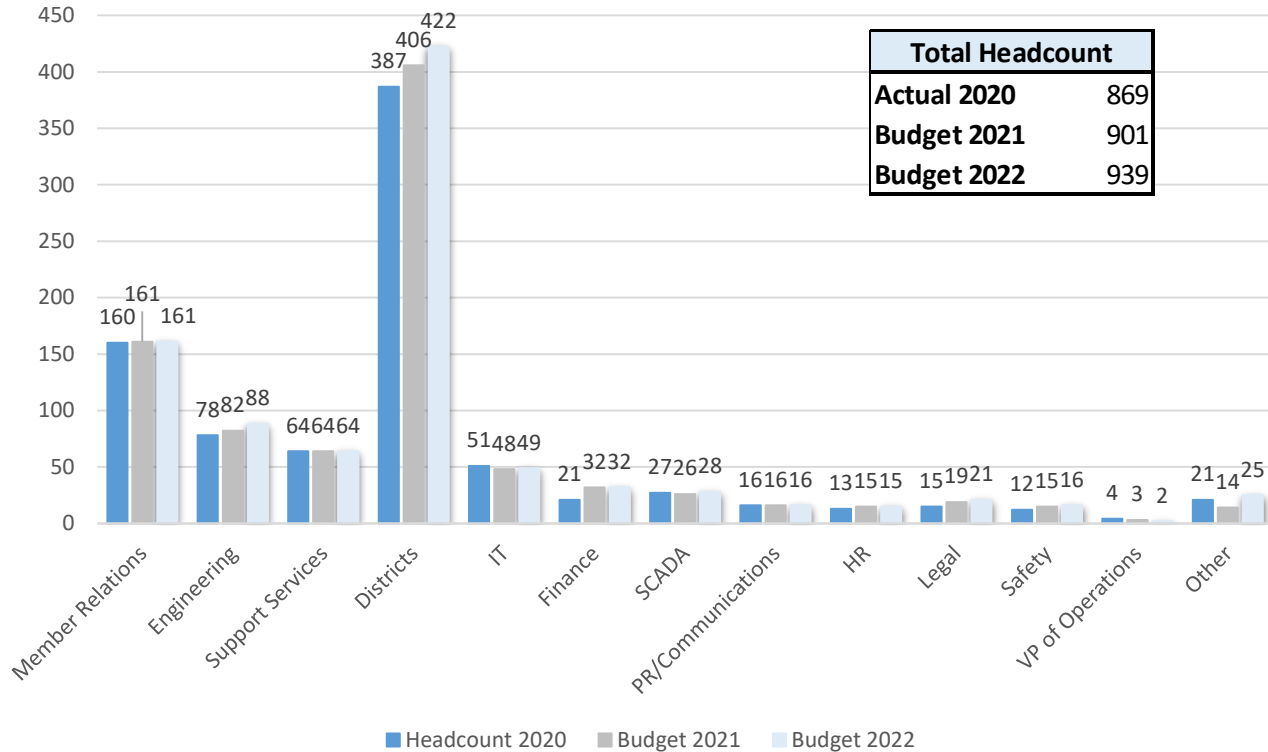
Percentage Growth	5.1%	6.3%	4.6%	4.8%	4.3%	3.9%
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Most expense categories 2021 to 2026 growing at rate of inflation except:

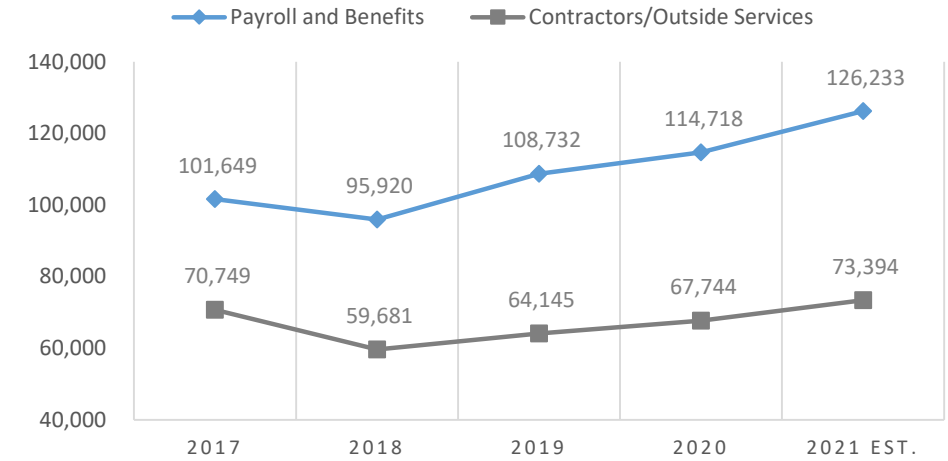
- Payroll— growth driven by addition of apprentice class, TCC hires and merit increases
- Outside services— growth at 3% in 2023-2026, contract crew additions to support growth
- Goods & Materials— growth at 3% to support increased price of materials
- Depreciation— growth is a function of infrastructure growth

Growth limited to critical hires and contractor conversions

HEADCOUNT TRENDS



LABOR TO CONTRACTOR TREND



Total labor dollars for 2022: **\$136.5M**

- **Capex \$54.7M (40%)**
- **Opex \$81.8M (60%)**

Growth 2021 to 2022 Budget:

- Lineman Apprentice Class **+16**
- Transmission Control Center **+12**
- Self-funded Positions **+5**
- PEC FTE Other Additions **+5**

PEC FTE Other Additions:

- Safety & Technical Training Instructor
- Technical Services Technician II
- Transmission Engineer I
- Operations Engineer
- Protection Engineer

Capital spend growth supports strategic plan

Bucket	Historical 2020	Amended 2021	Proposed Budget				
			2022	2023	2024	2025	2026
Utility Plant:							
Conversions/Upgrades	18,687,713	14,524,396	22,916,562	15,838,000	10,577,760	8,669,315	7,762,702
Line Extensions	28,753,586	25,170,000	9,100,000	-	-	-	-
Meters	12,117,971	18,478,270	15,599,836	9,523,524	1,285,200	1,310,904	1,337,122
Substations	30,836,324	18,806,808	16,578,111	38,798,889	35,549,240	40,061,725	39,749,459
Transmission	15,049,267	24,389,500	19,742,000	28,328,900	41,297,898	52,559,996	48,334,196
Control Center Building	-	10,000,000	22,950,000	-	-	-	-
Battery	2,534,768	-	-	-	-	-	-
Other Equipment	14,222,857	7,514,588	13,418,040	12,394,001	12,366,236	12,613,561	12,865,832
Poles	10,803,524	12,401,129	10,500,000	8,766,778	8,305,388	8,471,496	8,640,926
Ties Lines	5,897,312	6,791,176	7,359,024	2,888,000	579,140	581,423	378,851
Transformers	2,387,425	2,416,096	3,300,000	3,366,000	3,433,320	3,501,986	3,572,026
Underground Equipment	1,672,641	2,195,637	2,100,000	2,142,000	2,184,840	2,228,537	2,273,108
Total Utility Plant	142,963,387	142,687,600	143,563,573	122,046,091	115,579,023	129,998,943	124,914,222
General Plant:							
Facilities	8,200,439	12,850,034	6,725,000	21,025,000	33,800,000	12,500,000	20,000,000
Vehicle Purchases	5,848,457	4,705,917	6,530,621	8,500,000	8,000,000	10,000,000	10,000,000
Information Technology	2,712,375	8,087,520	12,013,000	10,500,000	10,220,000	5,330,000	4,580,000
Tools and Equipment	333,209	471,015	433,155	438,000	438,000	438,000	438,000
Total General Plant	17,094,479	26,114,486	25,701,776	40,463,000	52,458,000	28,268,000	35,018,000
Total Fixed Assets	160,057,866	168,802,086	169,265,349	162,509,091	168,037,023	158,266,943	159,932,222

- Line extension spend removed from 2023 forward
- AMI program significantly reduces meter costs from 2023 forward
- Control Center Building causes significant increase to CIP in 2022

Facilities and Fleet Capital Spend

Service Area	Project	Amended 2021	Proposed Budget					Total
			2022	2023	2024	2025	2026	
Leander	Control Center Building	10,000,000	22,950,000	-	-	-	-	32,950,000
Spring Branch	Warehouse and Yard Build	-	-	10,000,000	7,000,000	-	-	17,000,000
Leander	Administrative Building	-	-	-	5,000,000	5,000,000	-	10,000,000
Johnson City	Haley Road Warehouse and Yard Build	-	-	5,000,000	5,000,000	-	-	10,000,000
Cedar Park	Accesibility Improvements and Additions	1,000,000	750,000	500,000	6,000,000	-	-	8,250,000
Liberty Hill	District Operations Improvements	-	-	-	5,000,000	3,000,000	-	8,000,000
Other	Other Facilities Projects	11,850,034	5,975,000	5,525,000	5,800,000	4,500,000	20,000,000	53,650,034
Total		22,850,034	29,675,000	21,025,000	33,800,000	12,500,000	20,000,000	139,850,034

Service Area	Project	Amended 2021	Proposed Budget					Total
			2022	2023	2024	2025	2026	
Co-op Wide	Vehicles	4,705,917	6,530,621	8,500,000	8,000,000	10,000,000	10,000,000	47,736,538

- Control Center building projected to be complete year-end 2022
- Seeking approval to pre-order 100% fleet for 2022
- In addition to 2021 purchases, fleet also utilized approximately \$4M in leased vehicles

Distribution and Substation Capital Spend

Project	Amended 2021	Proposed Budget			Total
		2022	2023	2024	
Convert Burnet to 24.9KV	500,000	1,500,000	1,500,000	1,500,000	5,000,000
JC make-ready - voltage conversion	1,000,000	2,000,000	2,000,000	-	5,000,000
Fairland Make-ready & Voltage Conversion	500,000	1,500,000	1,500,000	1,000,000	4,500,000
Subtotal	2,000,000	5,000,000	5,000,000	2,500,000	14,500,000
Other Distribution Spend	87,491,292	79,293,462	49,918,303	36,231,885	252,934,941
Total	89,491,292	84,293,462	54,918,303	38,731,885	267,434,941

Substations

Project	Amended 2021	Proposed Budget			Total
		2022	2023	2024	
Yarrington Purchase, Cut-in, and Construct	-	1,910,000	6,790,000	450,000	9,150,000
Junction Upgrade T1 to 22.4 MVA	450,000	680,000	7,610,000	-	8,740,000
Hero Way Construct new 46.7 MVA Sub	-	960,000	7,190,000	-	8,150,000
SCADA RTU's	-	1,463,000	1,463,000	500,000	3,426,000
Seward Junction Install 46.7 MVA Trf	-	735,000	2,540,000	-	3,275,000
Lehigh Install 46.7 MVA Trf	-	660,000	2,440,000	-	3,100,000
Subtotal	450,000	6,408,000	28,033,000	950,000	35,841,000
Other Substation Spend	18,356,808	10,170,111	10,765,889	34,599,240	73,892,048
Total	18,806,808	16,578,111	38,798,889	35,549,240	109,733,048

Transmission Capital Spend

Transmission

Project	Amended	Proposed Budget				Total
	2021	2022	2023	2024	2025	
Wimberley Loop	200,000	1,000,000	1,000,000	14,600,000	16,700,000	33,500,000
T323 PF-MF Overhaul and Remote Ends	125,000	1,100,000	4,275,000	10,000,000	-	15,500,000
MF-TP (T315) Storm Hardening and Remote Ends	500,000	6,140,000	6,700,000	-	-	13,340,000
T333 LV to NL Overhaul and Remote Ends	-	50,000	200,000	4,805,000	8,257,000	13,312,000
T327 LA-NL Overhaul	350,000	400,000	7,925,000	2,850,000	305,000	11,830,000
T623 TP-CV Storm Hardening and Remote Ends	-	1,000,000	3,554,000	3,593,000	-	8,147,000
T324 ML-HT Storm Hardening and Rebuild	1,900,000	120,000	1,600,000	-	-	3,620,000
EMS Hardware & Software	-	2,687,000	500,000	-	-	3,187,000
Subtotal	3,075,000	12,497,000	25,754,000	35,848,000	25,262,000	102,436,000
Other Transmission Spend	21,314,500	7,245,000	2,574,900	5,449,898	27,297,996	63,882,294
Total	24,389,500	19,742,000	28,328,900	41,297,898	52,559,996	166,318,294

Community giving funded from various sources

Initiative	Forecast	Budget Years					Funding Source
	2021	2022	2023	2024	2025	2026	
Member Assistance Program	-	152,225	155,270	158,375	161,542	164,773	Rates
United Charities Corporate Match	-	50,000	50,000	50,000	50,000	50,000	Power of Change
Community Grants Program	50,000	50,000	50,000	50,000	50,000	50,000	Power of Change
Educational Support Program	-	24,000	24,000	24,000	24,000	24,000	Power of Change
Scholarship Program	100,000	100,000	100,000	100,000	100,000	100,000	Unclaimed Property
Total	150,000	376,225	379,270	382,375	385,542	388,773	

- Increase in Power of Change donations now allows United Charities to be funded from this program



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