



2024 Operating and Capital Budget

Janelle Smith | Director, Finance

Kat Jones | Controller

November 17, 2023

Financial Projections

| Financial Projections | a-2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|----------------------|----------------------|----------------------|
| Sale of Electricity | 792,251,006 | 843,670,135 | 860,091,597 | 915,456,239 | 956,224,411 | 991,176,480 | 1,021,573,573 |
| Other Revenues | 40,983,303 | 46,624,007 | 49,789,350 | 50,642,748 | 53,937,415 | 59,341,936 | 65,757,005 |
| Total Revenues | 833,234,309 | 890,294,142 | 909,880,947 | 966,098,987 | 1,010,161,826 | 1,050,518,416 | 1,087,330,578 |
| Purchased Power | 486,561,214 | 523,724,548 | 542,009,566 | 583,515,482 | 612,243,171 | 635,269,436 | 654,324,246 |
| Gross Margin | 346,673,095 | 366,569,594 | 367,871,381 | 382,583,505 | 397,918,655 | 415,248,980 | 433,006,331 |
| Operating Expenses ex. Depreciation | 154,113,550 | 179,038,135 | 176,911,233 | 181,306,448 | 185,088,598 | 190,729,192 | 194,674,233 |
| Depreciation | 101,931,512 | 98,023,841 | 97,994,832 | 92,808,333 | 93,449,839 | 97,828,859 | 107,836,163 |
| Interest Expense | 45,213,663 | 44,045,017 | 48,863,252 | 51,312,786 | 55,540,564 | 58,447,486 | 61,179,334 |
| Other Income and Interest Expenses | 5,183,238 | 12,149,739 | 3,996,000 | 3,996,000 | 4,015,565 | 3,996,000 | 3,996,000 |
| Net Margins | 50,597,608 | 57,612,340 | 48,098,064 | 61,151,938 | 67,855,220 | 72,239,443 | 73,312,601 |
| EBIDA (X) | 216,586,725 | 198,999,935 | 213,020,880 | 198,725,571 | 219,339,965 | 231,773,433 | 244,454,668 |
| Energy Sales kWh | 7,617,641,182 | 7,700,262,995 | 7,664,375,440 | 8,036,620,547 | 8,327,387,891 | 8,613,704,346 | 8,872,115,477 |
| Energy Purchases kWh | 8,093,904,436 | 8,216,907,978 | 8,153,590,900 | 8,549,596,333 | 8,858,923,295 | 9,163,515,269 | 9,438,420,728 |
| Year-End Account Count | 385,868 | 404,472 | 422,675 | 440,892 | 459,098 | 477,281 | 495,504 |
| Account Growth | 18,579 | 18,604 | 18,203 | 18,217 | 18,206 | 18,183 | 18,223 |

Capital spend forecast supports targeted financial ratios

| Category | a-2019 | a-2020 | a-2021 | a-2022 | 2023 forecast | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Distribution Line Extensions | 28.9 | 28.8 | 27.4 | 14.3 | 12.5 | - | - | - | - | - |
| Distribution Lines New | 2.4 | 5.2 | 5.1 | 6.7 | 9.2 | 8.6 | 7.0 | 4.7 | 1.6 | 1.9 |
| Distribution Lines Change | 13.7 | 16.4 | 14.2 | 19.8 | 27.9 | 20.3 | 12.0 | 7.8 | 7.0 | 8.6 |
| Substations New | 7.8 | 5.9 | 3.8 | 3.4 | 21.1 | 29.6 | 26.8 | 28.1 | 32.0 | 30.4 |
| Substations Change | 16.3 | 25.0 | 18.0 | 14.5 | 29.1 | 35.6 | 33.6 | 42.0 | 59.3 | 50.4 |
| Distribution Misc Equipment | 48.1 | 41.5 | 58.2 | 51.4 | 58.2 | 53.5 | 40.4 | 40.0 | 41.1 | 41.6 |
| Other Distribution Items | 3.1 | 4.1 | (1.2) | 0.1 | 0.3 | 0.5 | 0.1 | 0.1 | 0.1 | 0.1 |
| Transmission Lines New | (0.1) | (0.3) | 0.1 | 3.3 | 1.3 | 0.6 | 7.2 | 22.4 | 31.4 | 26.8 |
| Transmission Lines Change | 20.9 | 16.4 | 26.6 | 19.6 | 19.7 | 32.7 | 45.9 | 28.7 | 8.9 | 15.9 |
| Facilities | 8.0 | 8.2 | 17.3 | 25.0 | 13.9 | 21.5 | 13.2 | 19.3 | 14.6 | 13.0 |
| Information Technology | 5.8 | 2.7 | 5.5 | 4.5 | 3.8 | 5.5 | 6.2 | 1.4 | 1.0 | 1.3 |
| Tools & Small Equipment | 0.6 | 0.3 | 0.3 | 0.2 | 0.3 | 0.8 | 0.5 | 0.5 | 0.5 | 0.5 |
| Vehicles & Power Operated Equipment | 6.1 | 5.8 | 2.7 | 2.4 | 4.7 | 8.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Total | \$161.5 | \$160.1 | \$178.1 | \$165.1 | \$202.0 | \$217.2 | \$202.9 | \$205.0 | \$207.5 | \$200.5 |

in \$ million

- CIP spend in forecast years is within range for FADS (maximum allowable limits between \$210M - \$260M)

Operating expense growth remains lower than account growth in forecast years

| Activity Group Expense | a-2019 | a-2020 | a-2021 | a-2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Payroll and Benefits | 68.7 | 70.2 | 76.6 | 73.5 | 86.7 | 86.8 | 90.9 | 93.3 | 97.7 | 99.4 |
| Outside Services | 37.4 | 47.6 | 49.7 | 49.3 | 55.8 | 54.0 | 53.6 | 53.7 | 53.7 | 55.0 |
| Goods & Materials | 5.2 | 6.6 | 6.8 | 5.8 | 9.2 | 6.7 | 6.8 | 7.0 | 7.3 | 7.6 |
| Utilities | 5.3 | 5.7 | 6.5 | 5.6 | 5.3 | 5.5 | 5.5 | 5.6 | 5.6 | 5.7 |
| Misc / Other Expense | 3.4 | 4.7 | 4.1 | 4.7 | 5.8 | 6.0 | 6.1 | 6.2 | 6.4 | 6.5 |
| Staff - Travel and Misc | 2.2 | 1.9 | 1.7 | 2.0 | 2.3 | 2.8 | 2.7 | 2.7 | 2.8 | 2.8 |
| Transportation | 2.1 | 2.1 | 2.6 | 2.7 | 3.0 | 3.1 | 3.2 | 3.4 | 3.5 | 3.6 |
| Directors Expense | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Member Events | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Taxes | 7.0 | 8.5 | 9.8 | 10.1 | 10.7 | 11.5 | 12.1 | 12.7 | 13.3 | 13.7 |
| Total | 131.7 | 147.4 | 158.0 | 154.1 | 179.0 | 176.9 | 181.3 | 185.1 | 190.7 | 194.7 |

Annual Spend Drivers:

| | COVID | Winter Storm | Labor + Material Shortages | Inflation; TCC Operations; Mara | | | | | | |
|-----------------------------------|----------|--------------|----------------------------------|---------------------------------------|----------|----------|----------|----------|----------|-------|
| YoY % Change | 11.9% | 7.2% | -2.5% | 16.2% | -1.2% | 2.5% | 2.1% | 3.0% | 2.1% | |
| % Account Growth | 5.6% | 5.5% | 5.1% | 4.8% | 4.5% | 4.3% | 4.1% | 4.0% | 3.8% | |
| Distribution \$ Opex per MWh ! \$ | 20.30 \$ | 22.56 \$ | 23.78 \$ | 20.23 \$ | 23.25 \$ | 23.08 \$ | 22.56 \$ | 22.23 \$ | 22.14 \$ | 21.94 |

Most expense categories 2024 to 2028 growing close to rate of inflation except:

- Payroll growth driven by additional costs for merit, employee benefits, and critical hires (lineman apprentice classes, contractor conversions and necessary positions)
- System maintenance sees costs savings from flyover program over five-year forecast

Community giving program grows from Power of Change

| Initiative | Forecast 2023 | Budget Years | | | | | Funding Source |
|----------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|--------------------|
| | | 2024 | 2025 | 2026 | 2027 | 2028 | |
| Member Assistance Program | 14,400 | 16,000 | 18,000 | 20,000 | 22,000 | 24,000 | Power of Change |
| United Charities Corporate Match | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | Power of Change |
| Community Grants Program | 60,000 | 65,000 | 65,000 | 60,000 | 60,000 | 60,000 | Power of Change |
| Educational Support Program | 24,000 | 35,000 | 35,000 | 30,000 | 30,000 | 30,000 | Power of Change |
| Community Outreach Programs | - | 69,500 | - | - | - | - | Power of Change |
| Scholarship Program | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | Unclaimed Property |
| Total | 298,400 | 385,500 | 318,000 | 310,000 | 312,000 | 314,000 | |

- Power of change funding request for 2024: \$69,500
 - Youth Tour: \$41,000
 - Youth Education Events: \$16,000
 - Chamber/Local Government Events: \$7,500
 - Community Partnership Events: \$5,000



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