



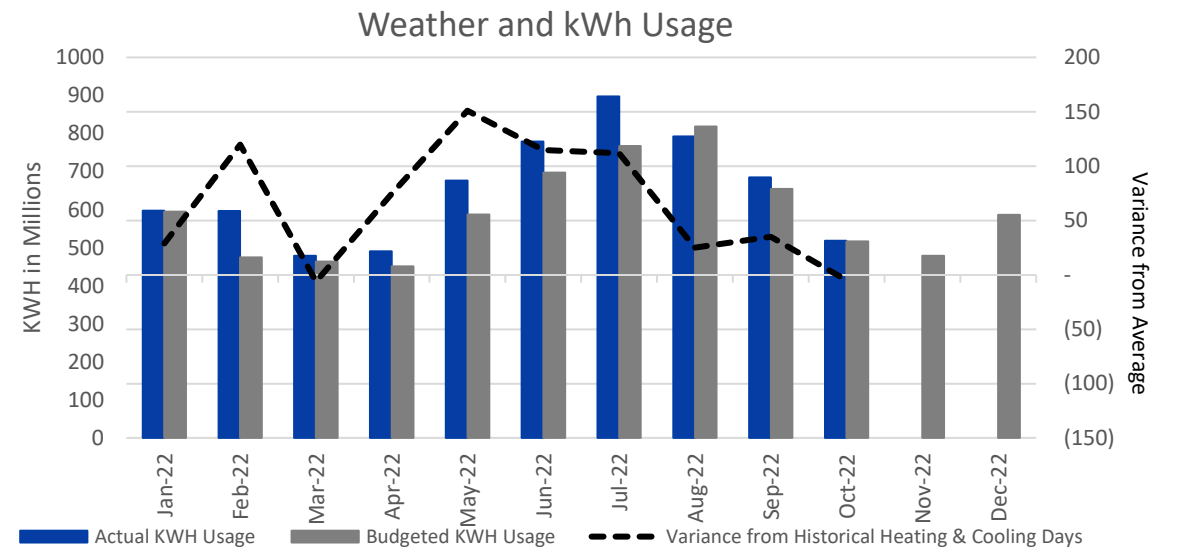
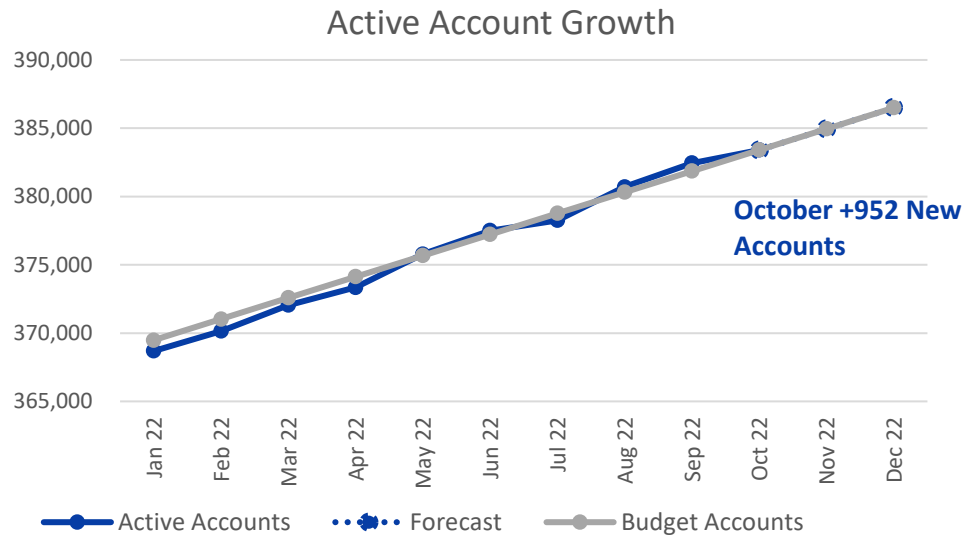
# October 2022 Financial Presentation to the Board

Randy Kruger | Chief Financial Officer

# Finance at a Glance – October 2022

|                      | MTD (\$ in millions) |         |           | YTD (\$ in millions) |           |          |
|----------------------|----------------------|---------|-----------|----------------------|-----------|----------|
|                      | Actual               | Budget  | Variance  | Actual               | Budget    | Variance |
| <b>MWH Sold</b>      | 518,257              | 516,871 | 1,387     | 6,511,716            | 6,025,917 | 485,799  |
| <b>Gross Margins</b> | \$ 28.0              | \$ 25.7 | \$ 2.3    | \$ 294.9             | \$ 281.2  | \$ 13.7  |
| <b>Net Margins</b>   | \$ 4.5               | \$ 1.8  | \$ 2.7    | \$ 52.3              | \$ 44.8   | \$ 7.5   |
| <b>EBIDA</b>         | \$ 16.0              | \$ 11.8 | \$ 4.2    | \$ 176.6             | \$ 144.6  | \$ 32.0  |
| <b>Revenue O/(U)</b> | \$ (6.7)             | \$ 4.2  | \$ (10.9) | \$ 23.5              | \$ 30.3   | \$ (6.8) |
| <b>EBIDA(X)</b>      | \$ 9.2               | \$ 16.0 | \$ (6.8)  | \$ 200.1             | \$ 174.9  | \$ 25.2  |

|                                  | Liquidity Coverage |
|----------------------------------|--------------------|
| Cash & Marketable Securities     | \$ 15,528,603      |
| Short Term Facilities            | 505,000,000        |
| Less: Short Term Borrowings      | 104,847,111        |
| Available Liquidity              | \$ 415,681,492     |
| <b>Liquidity Coverage (Days)</b> | <b>238</b>         |

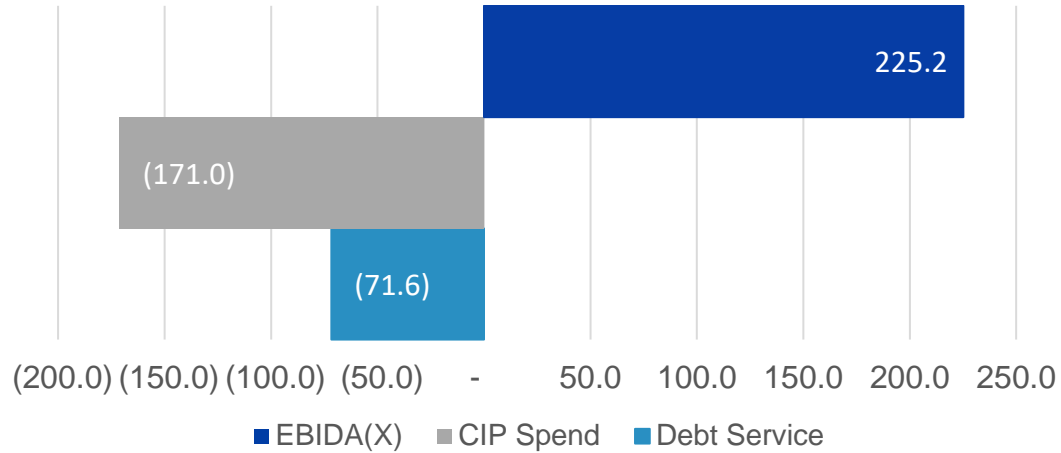


# Financial Performance

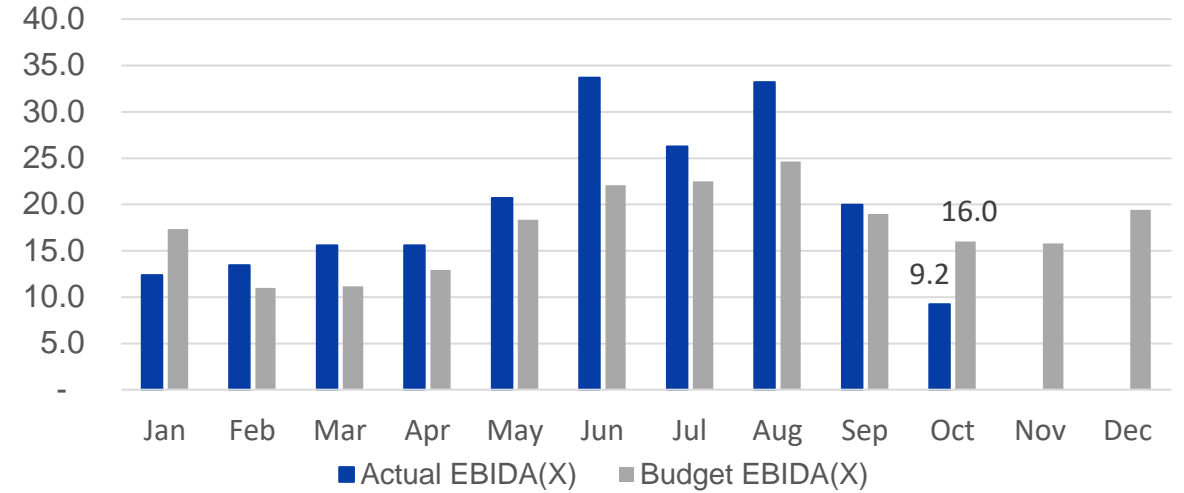
|                                     | MTD                  |                      |                      | YTD                   |                       |                       | Annual                |                       | 2021 to 2022 |
|-------------------------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------|
|                                     | Actual               | Budget               | Prior Year           | Actual                | Budget                | Prior Year            | Forecast              | Budget                | % Change     |
| <b>Gross Margins</b>                | <b>\$ 28,058,762</b> | <b>\$ 25,731,035</b> | <b>\$ 26,254,949</b> | <b>\$ 294,921,449</b> | <b>\$ 281,204,306</b> | <b>\$ 264,022,305</b> | <b>\$ 347,009,639</b> | <b>\$ 332,824,766</b> | 11.70%       |
| Operating Expenses Ex. Depreciation | 12,099,465           | 13,962,482           | 12,032,609           | 124,268,446           | 139,157,249           | 132,319,096           | 152,820,133           | 165,745,081           | -6.08%       |
| Depreciation                        | 7,586,100            | 6,391,252            | 5,954,108            | 86,614,662            | 63,912,522            | 58,526,999            | 102,912,563           | 76,695,026            |              |
| Interest Expense                    | 3,894,080            | 3,589,638            | 3,690,414            | 37,691,497            | 35,924,206            | 33,182,492            | 44,867,240            | 43,103,481            |              |
| Other Income                        | (20,216)             | (11,425)             | 179,660              | (5,952,328)           | (2,565,248)           | (2,808,422)           | (6,042,825)           | (2,655,711)           |              |
| <b>Net Margins</b>                  | <b>\$ 4,499,333</b>  | <b>\$ 1,799,088</b>  | <b>\$ 4,398,158</b>  | <b>\$ 52,299,172</b>  | <b>\$ 44,775,578</b>  | <b>\$ 42,802,140</b>  | <b>\$ 52,452,528</b>  | <b>\$ 49,936,889</b>  |              |
| <b>EBIDA</b>                        | <b>\$ 15,979,513</b> | <b>\$ 11,779,978</b> | <b>\$ 14,042,680</b> | <b>\$ 176,605,331</b> | <b>\$ 144,612,306</b> | <b>\$ 134,511,631</b> | <b>\$ 200,232,331</b> | <b>\$ 169,735,396</b> | 31.29%       |
| Over (Under) Collected Revenues     | (6,746,217)          | 4,218,274            | 3,687,970            | 23,511,223            | 30,334,455            | (129,551,256)         | \$24,962,168          | 40,435,604            |              |
| <b>EBIDA(X)</b>                     | <b>\$ 9,233,296</b>  | <b>\$ 15,998,252</b> | <b>\$ 17,730,650</b> | <b>\$ 200,116,554</b> | <b>\$ 174,946,761</b> | <b>\$ 4,960,375</b>   | <b>\$ 225,194,499</b> | <b>\$ 210,171,001</b> |              |
| Total Long-Term Debt                |                      |                      |                      |                       |                       |                       | \$ 1,018,400,387      | \$ 1,040,538,177      |              |
| Debt Service                        |                      |                      |                      |                       |                       |                       | 71,637,156            | 71,288,720            |              |
| Debt Service Coverage Ratio         |                      |                      |                      |                       |                       |                       | 2.80                  | 2.38                  |              |
| Equity as Percent of Assets         |                      |                      |                      |                       |                       |                       | 40.6%                 | 40.3%                 |              |
| Net Plant in Service                |                      |                      |                      |                       |                       |                       | \$ 1,897,544,984      | \$ 1,923,846,600      |              |
| Capital Improvement Spend           |                      |                      |                      |                       |                       |                       | \$ 170,980,335        | \$ 174,212,349        |              |
| Energy Sales kWh                    | 518,257,317          | 516,870,544          | 518,163,405          | 6,511,715,976         | 6,025,917,025         | 5,738,282,618         | 7,577,018,821         | 7,091,219,870         | 13.48%       |
| Energy Purchases kWh                | 550,712,227          | 551,239,477          | 555,782,618          | 6,895,040,643         | 6,426,051,391         | 6,126,397,167         | 8,045,412,341         | 7,571,421,437         | 12.55%       |
| Active Accounts                     |                      |                      |                      | 383,409               | 383,411               | 364,356               | 386,503               | 386,505               | 5.23%        |

# Financing Sources & Uses

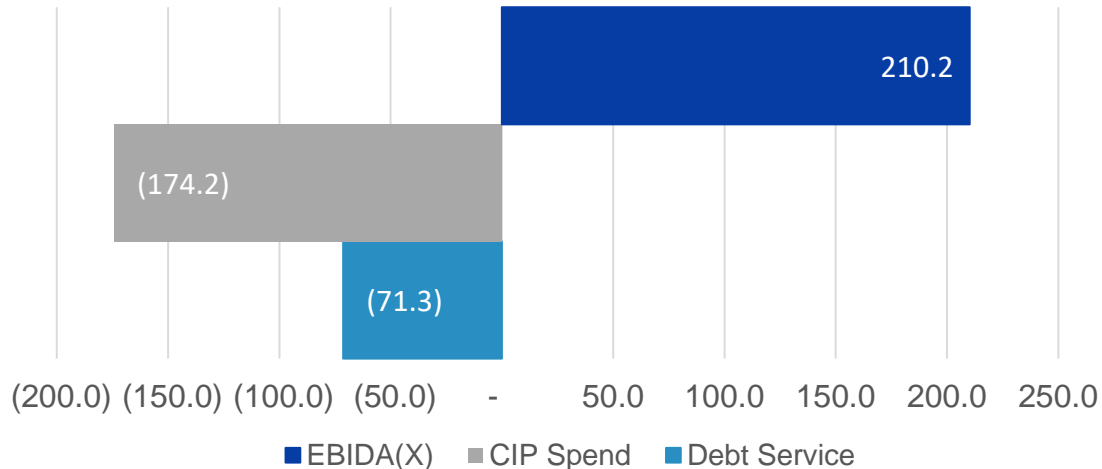
## Annual Forecast



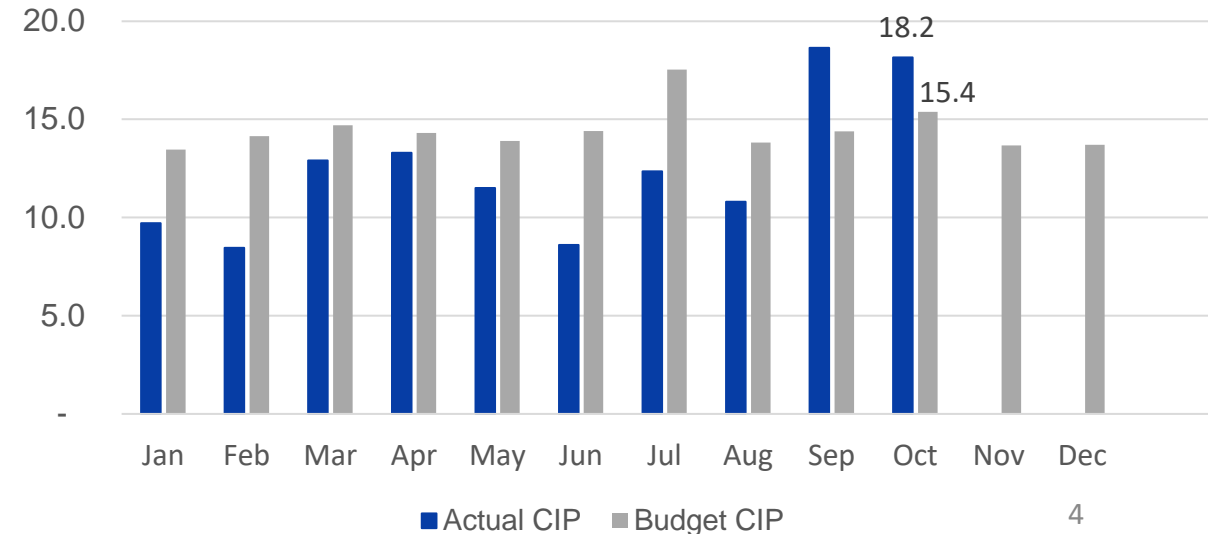
## EBIDA(X) by Month



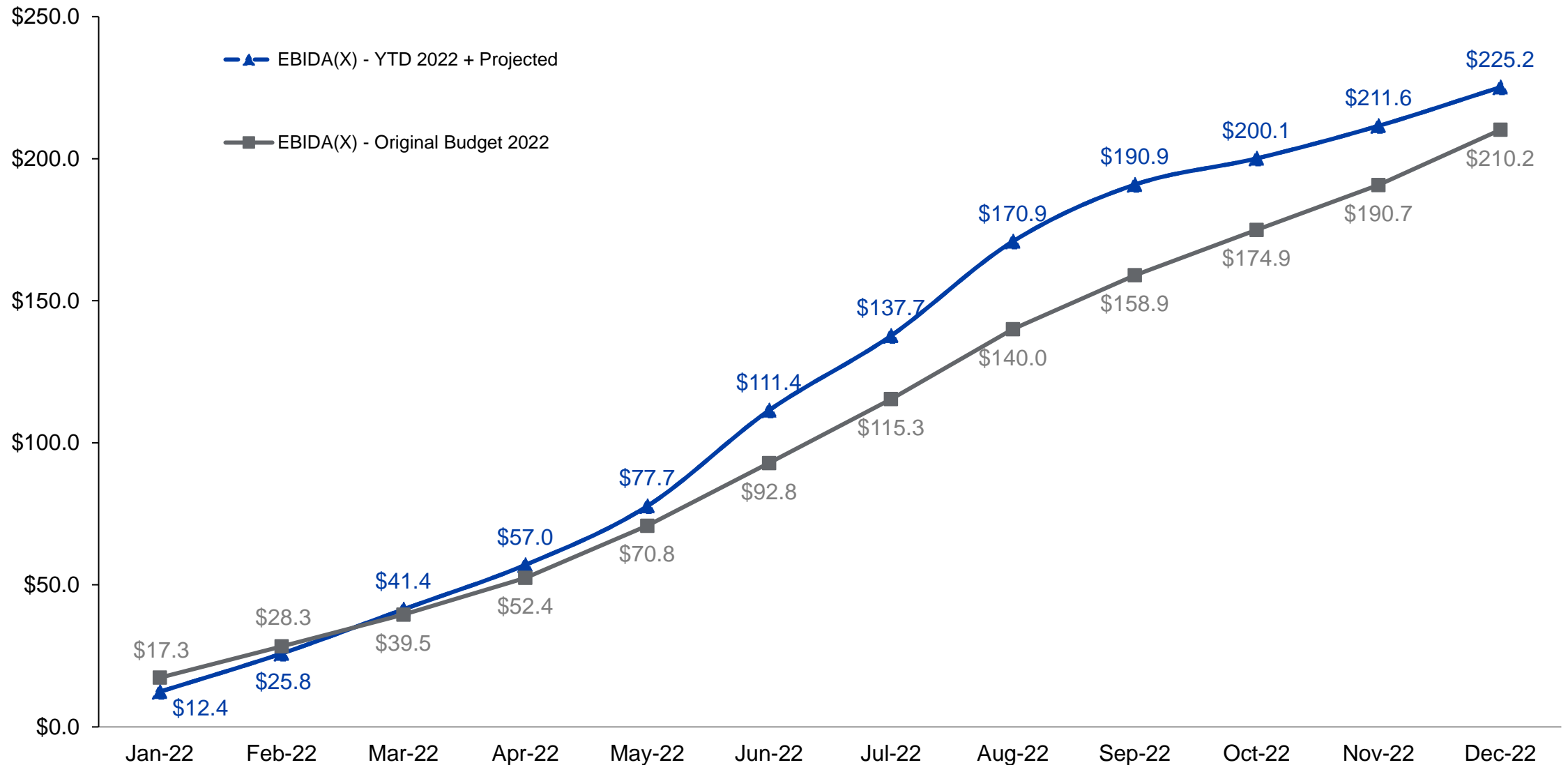
## Annual Budget



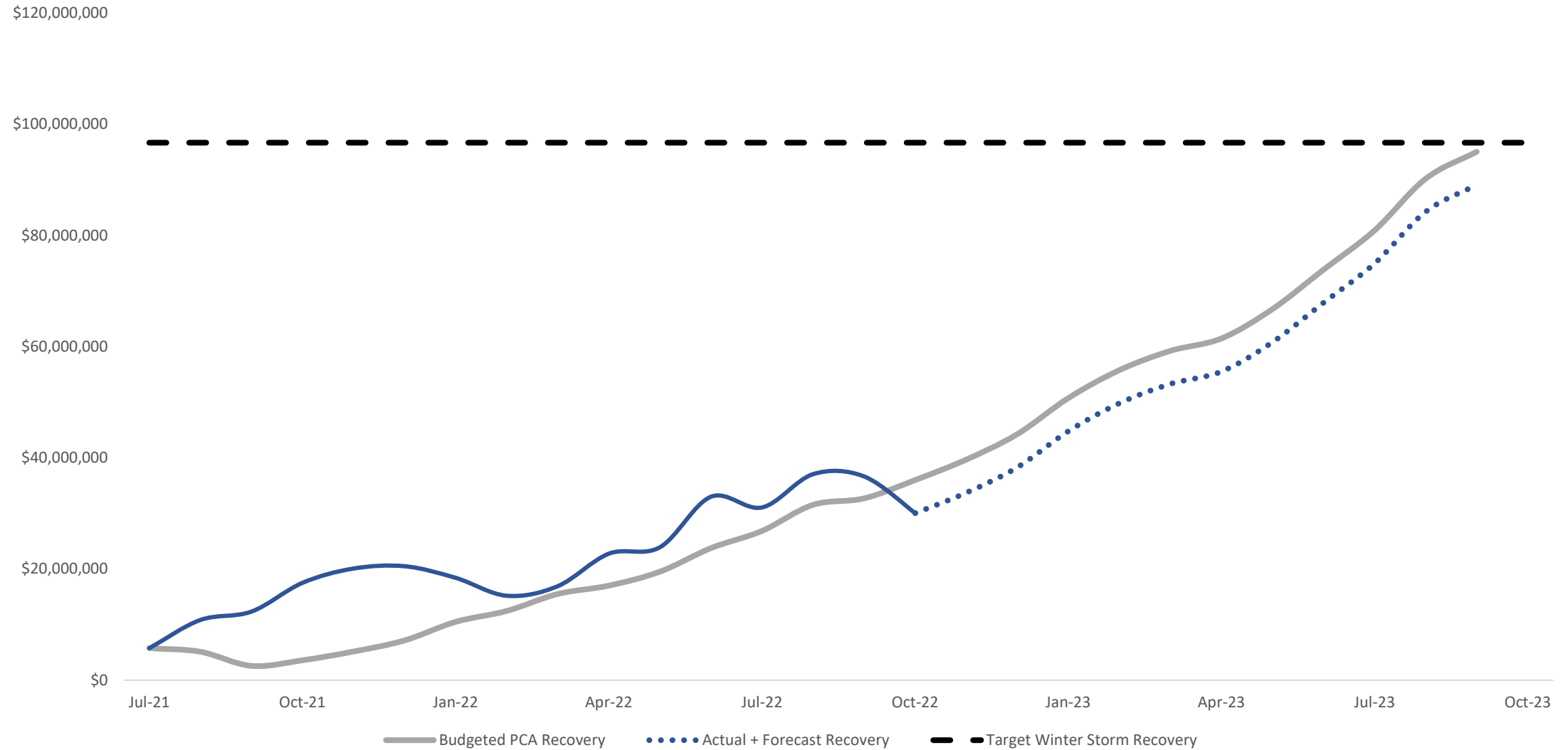
## Capital Improvement Spend



# EBIDA(X) Year to Date (in millions)

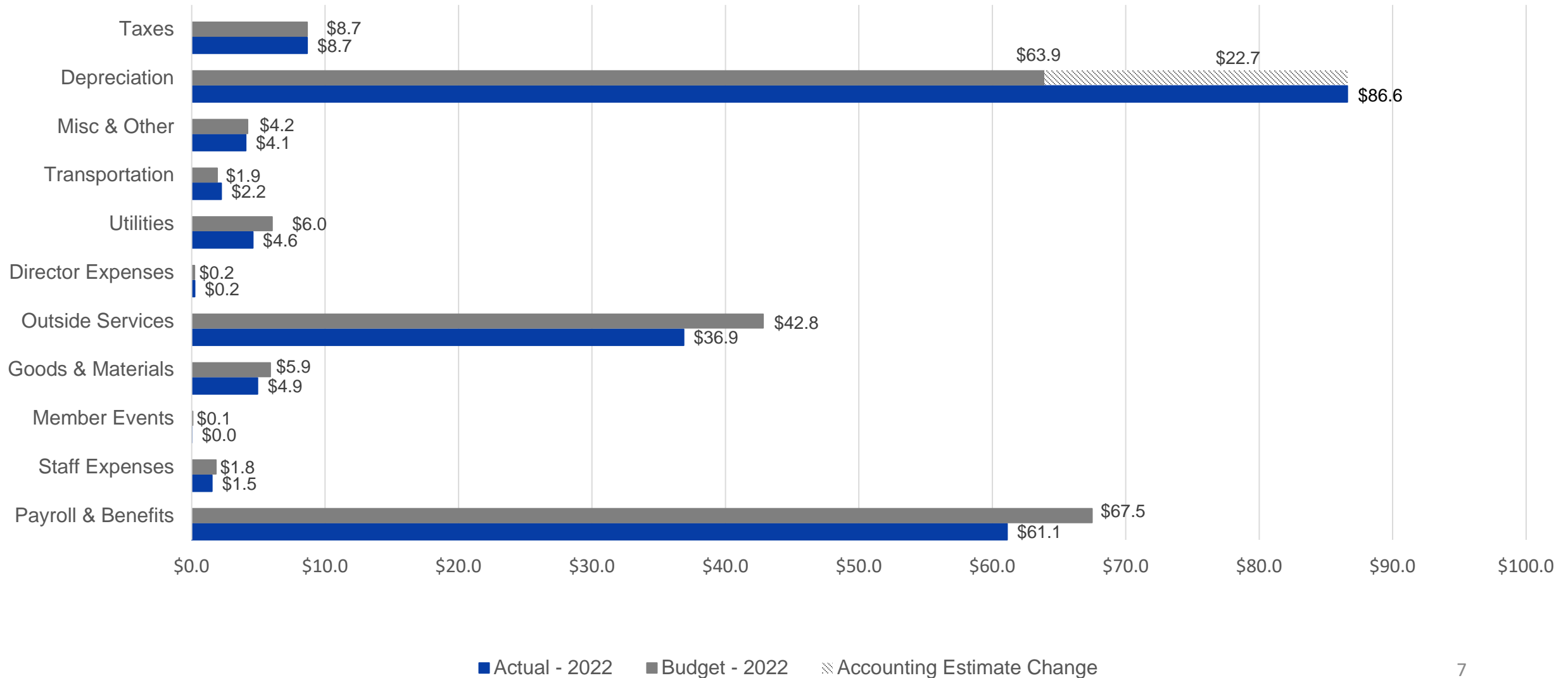


# PCA + FPCRf O/(U) Winter Storm Recovery



# Cost of Service (in millions)

## YTD Actual vs Budget through October 2022



# CIP Spend

| Construction Category & Description         |  | YTD<br>Actuals        | YTD<br>Budget         | Variance<br>(Over)/Under<br>Budget | Amended<br>Annual Budget |
|---|--|-----------------------|-----------------------|------------------------------------|--------------------------|
| <b><u>Distribution</u></b>                  |  |                       |                       |                                    |                          |
| 100   | New Lines (Line Extensions for new primary, secondary and service lines) | \$ 7,407,430          | \$ 7,583,333          | \$ 175,904                         | \$ 9,100,000             |
| 200   | Tie Lines (new construction between existing lines)                      | 4,094,104             | 5,978,489             | \$ 1,884,385                       | 7,052,396                |
| 300   | Conversions or Line Changes  | 15,090,537            | 15,944,437            | \$ 853,900                         | 19,623,189               |
| 600   | Miscellaneous Distribution Equipment                                     | 40,917,202            | 40,348,230            | \$ (568,973)                       | 48,417,876               |
| 700   | Other Distribution Items   | 128,992               | 83,333                | \$ (45,659)                        | 100,000                  |
| <b>Distribution Total</b>                   |  | <b>\$ 67,638,265</b>  | <b>\$ 69,937,822</b>  | <b>\$ 2,299,557</b>                | <b>\$ 84,293,462</b>     |
| <b><u>Substation</u></b>                    |  |                       |                       |                                    |                          |
| 400   | New Substations, Switching Stations and Meter Points                     | \$ 3,187,541          | \$ 6,303,333          | \$ 3,115,793                       | \$ 6,820,000             |
| 500   | Substations, Switching Stations and Meter Point changes                  | 8,608,289             | 8,414,722             | (193,566)                          | 9,758,111                |
| <b>Substation Total</b>                     |  | <b>\$ 11,795,829</b>  | <b>\$ 14,718,056</b>  | <b>\$ 2,922,226</b>                | <b>\$ 16,578,111</b>     |
| <b><u>Transmission</u></b>                  |  |                       |                       |                                    |                          |
| 800   | New Transmission Lines   | \$ 2,995,442          | \$ 3,184,500          | \$ 189,058                         | \$ 3,777,000             |
| 1000  | Line and Station Changes   | 14,032,281            | 14,741,767            | 709,485                            | 17,762,000               |
| <b>Transmission Total</b>                   |  | <b>\$ 17,027,723</b>  | <b>\$ 17,926,267</b>  | <b>\$ 898,543</b>                  | <b>\$ 21,539,000</b>     |
| <b><u>General Plant</u></b>                 |  |                       |                       |                                    |                          |
| 2000  | Facilities   | \$ 18,160,001         | \$ 27,179,167         | \$ 9,019,166                       | \$ 32,825,000            |
| 3000  | Information Technology   | 3,581,574             | 10,579,492            | 6,997,918                          | 12,013,000               |
| 4000  | Tools & Equipment  | 159,060               | 403,155               | 244,095                            | 433,155                  |
| 5000  | Vehicles   | 1,415,054             | 5,442,184             | 4,027,130                          | 6,530,621                |
| <b>Total General Plant</b>                  |  | <b>\$ 23,315,689</b>  | <b>\$ 43,603,998</b>  | <b>\$ 20,288,309</b>               | <b>\$ 51,801,776</b>     |
| <b>Accrued WIP</b>                          |  | <b>\$ 4,679,295</b>   | <b>\$ -</b>           | <b>\$ (4,679,295)</b>              | <b>\$ -</b>              |
| <b>Total Capital Improvement Plan Spend</b> |  | <b>\$ 124,456,801</b> | <b>\$ 146,186,142</b> | <b>\$ 21,729,341</b>               | <b>\$ 174,212,349</b>    |



# Winter Weather Impacts on Pricing

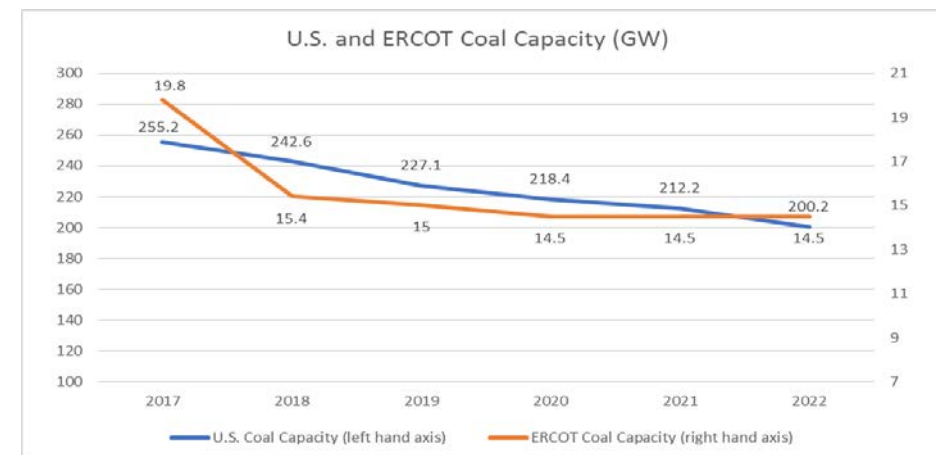
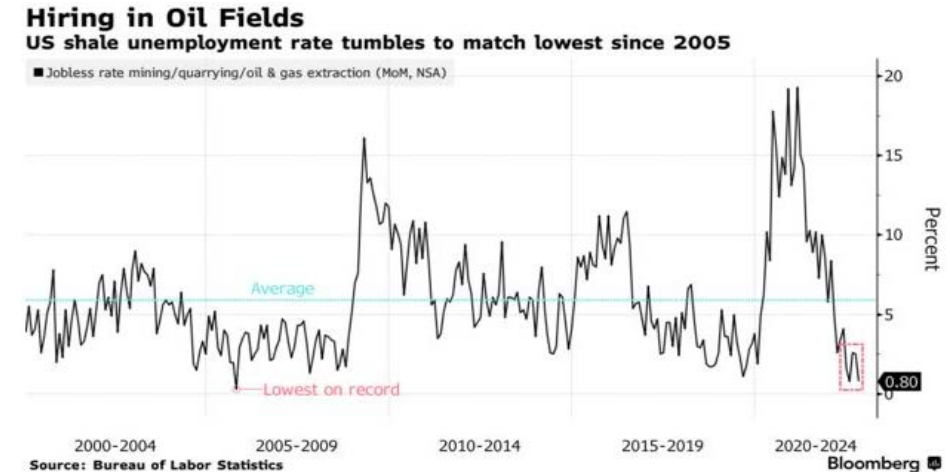
U.S. home heating heavily dependent upon natural gas so weather will have a major impact on prices over the winter. Weather impacts will be magnified (↑) or dampened (↓) by the following factors:

## ↑ Supply in-elasticity

- Gas production has returned to pre-pandemic levels of around 100BCF/day but increases to production will require
  - Better regulatory environment
  - Access to capital
  - Easing of supply chain and labor bottlenecks
- Fewer opportunities for gas to coal switching (Over last 5 years 55GW of U.S. coal fired generation retired with 5GW of retirements in ERCOT)

↓ Return of Freeport LNG likely delayed until Dec. (curtails 2BCF/day of export capacity)

↓ Storage levels building back closer to 5-year average



Source: S&P Global Market Intelligence

# Winter Weather Predictions

National Oceanic and Atmospheric Administration (NOAA) U.S. Winter Outlook calling for normal to mild winter for most of the U.S.

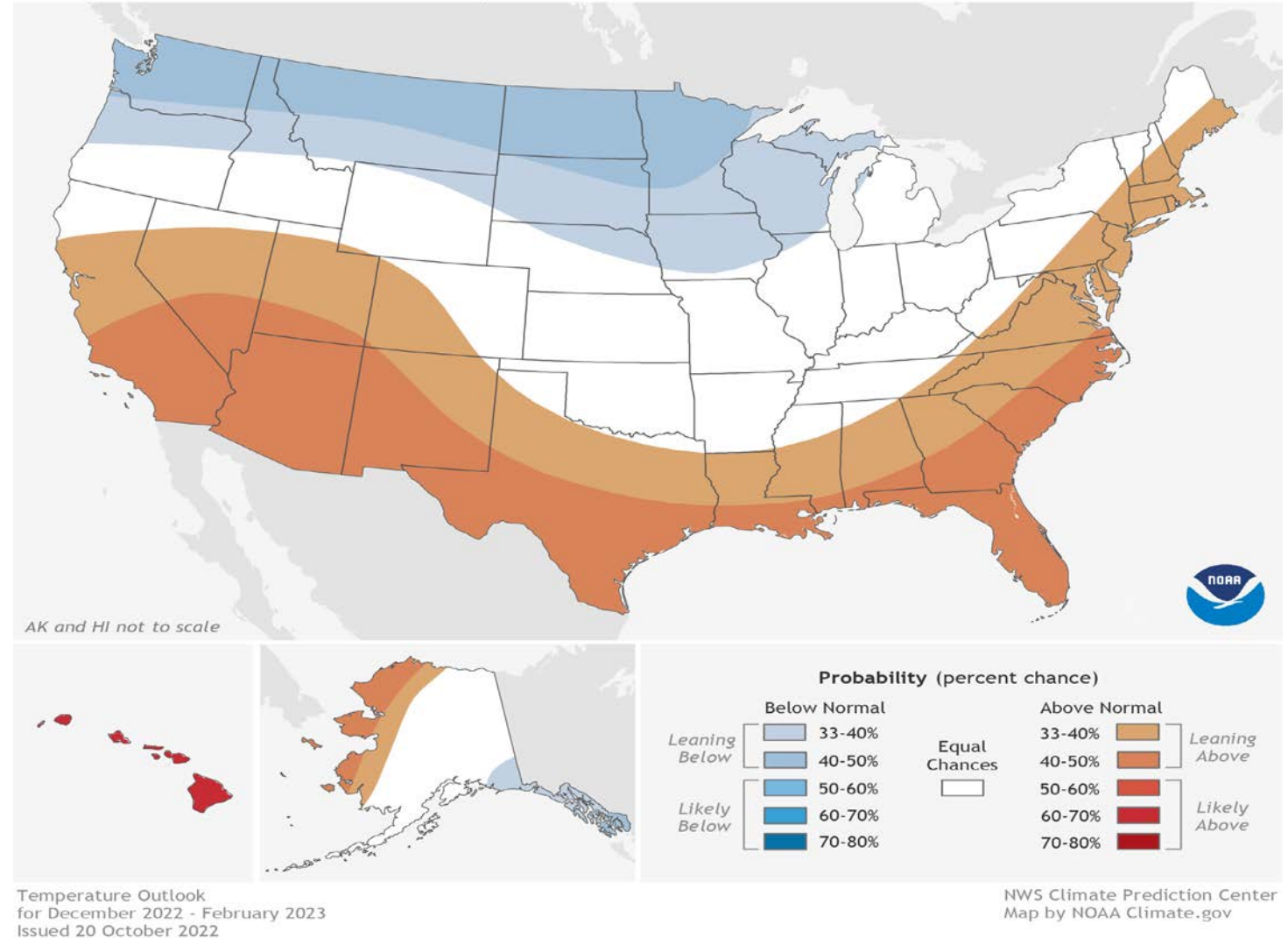
Most climate models show consistent outcomes

La Nina conditions will persist driving warmer and dryer south and cooler and wetter north/northwest

La Nina events can have higher levels of sub-season variability. Feb 2021 was during a La Nina year.

Impact on gas (and power) prices will depend upon intensity and length of temperature anomalies and duration of mild to above normal temperatures

## Winter 2022-23: U.S. Temperature Outlook



# Farmers' Almanac Breaks with NOAA Predictions

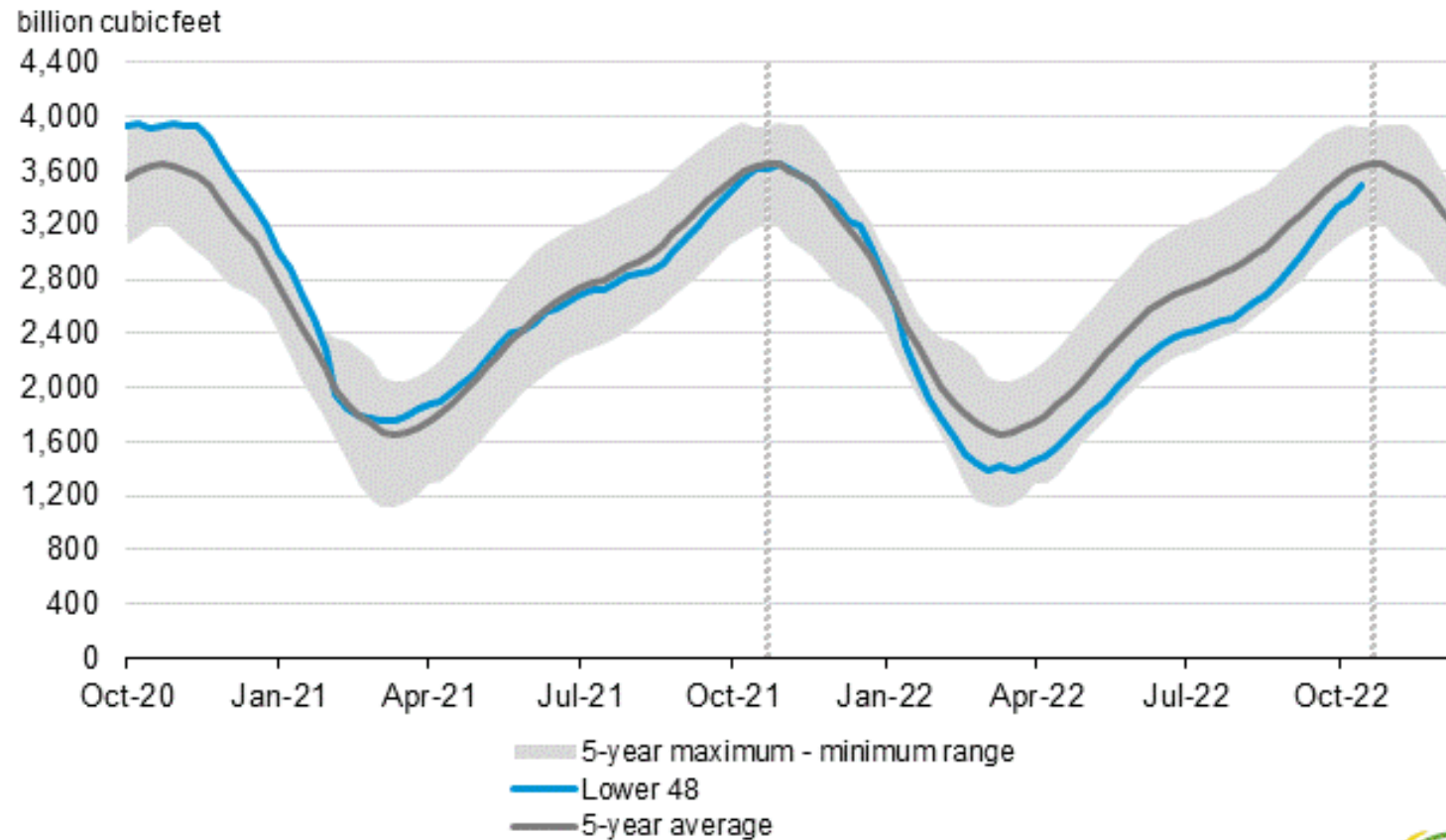


The 2022-2023 winter season may have record-breaking cold temperatures of 40 degrees below zero in some places in the US!

# Gas Storage

- Larger than normal Oct. injection on higher production. Building towards 5-year average

Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration

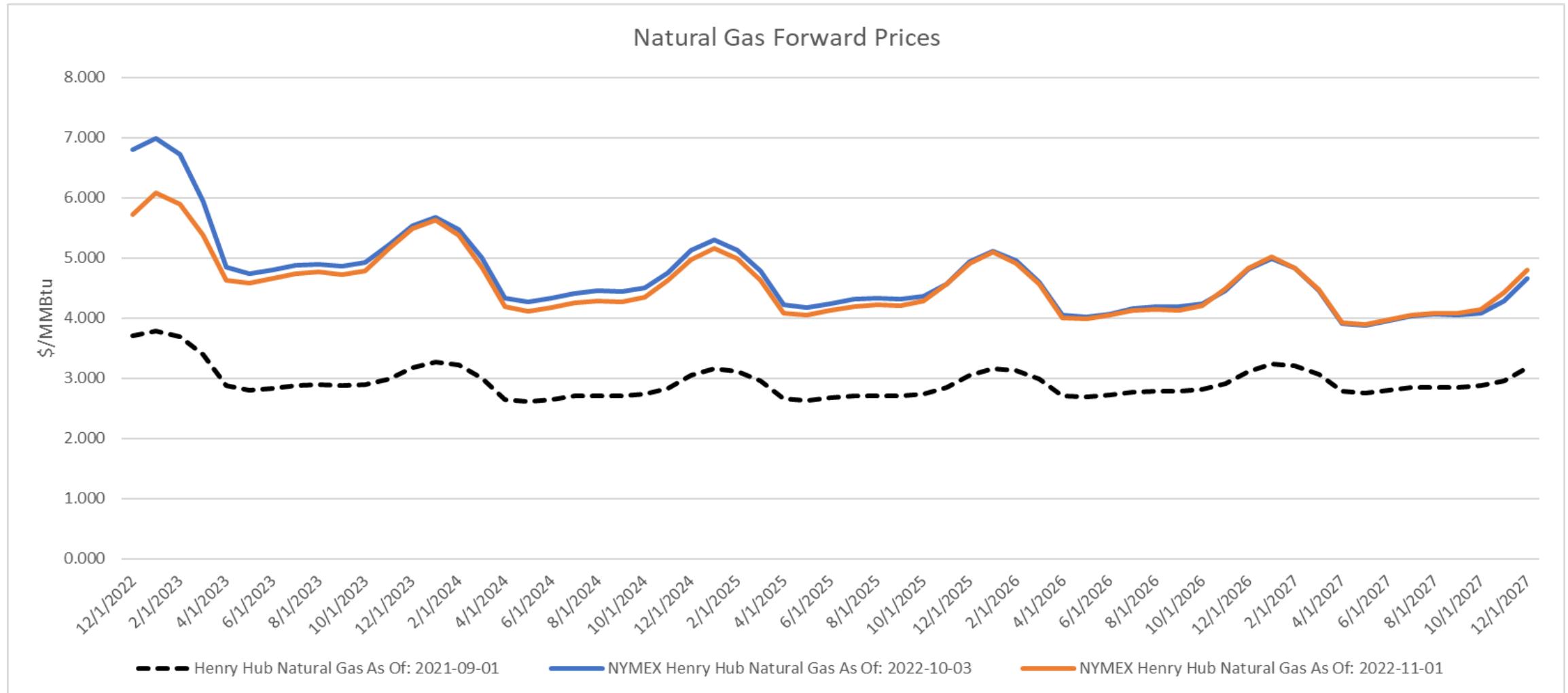


Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2017 through 2021. The dashed vertical lines indicate current and year-ago weekly periods.



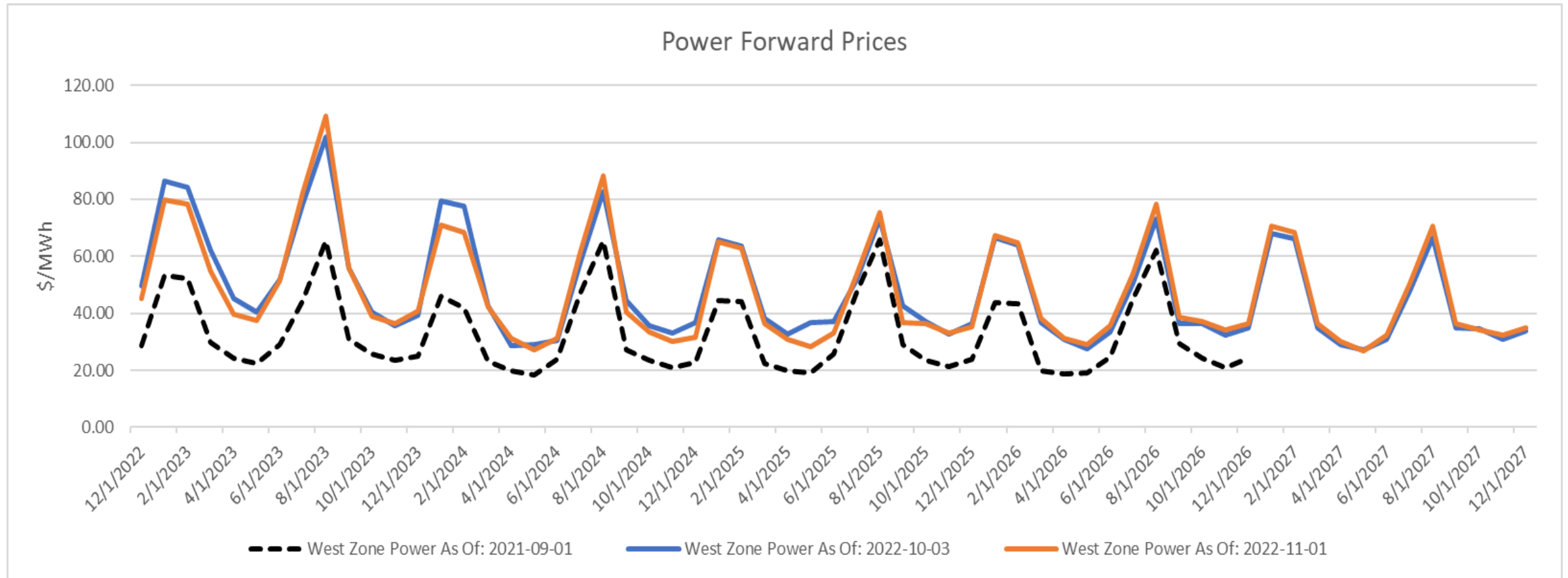
# Forward Natural Gas Prices

Natural gas prices are down on storage build, increased production and winter weather forecast, but up from 2022 budget



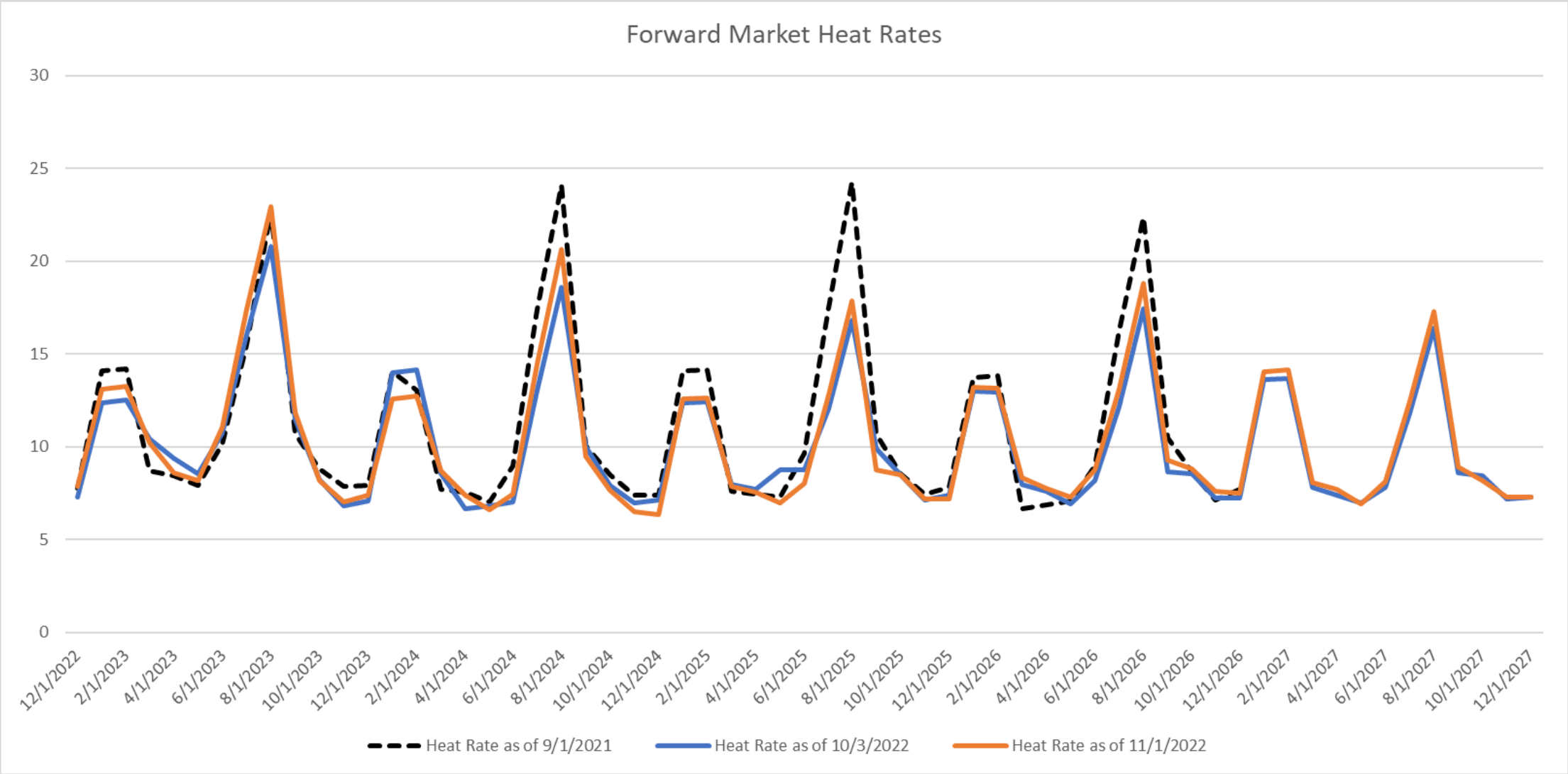
# Forward Power Prices

Forward power prices have followed gas prices



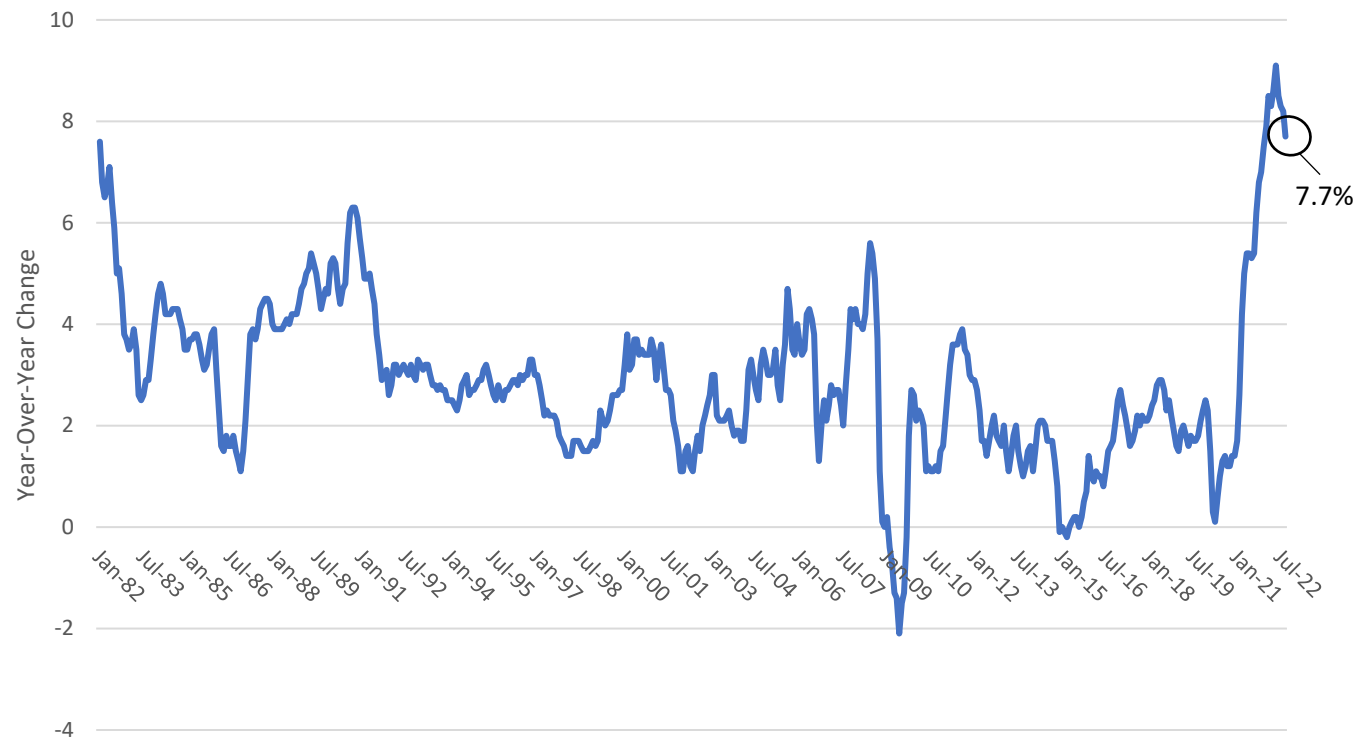
# Market Heat Rates

Heat rates improved from last month and outer years down from 2022 budget



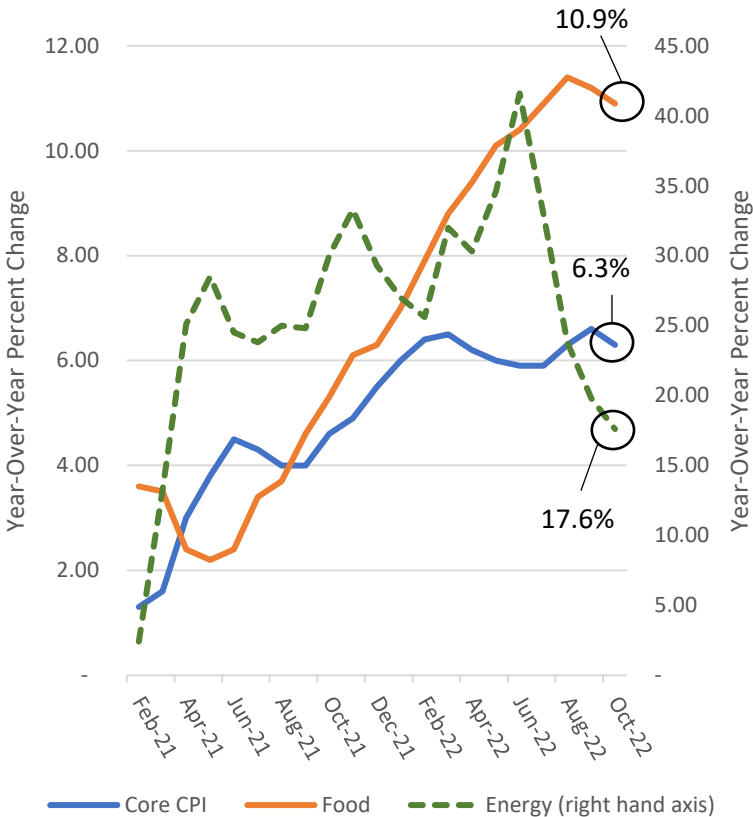
# Inflation

CPI Jan 1982 to Oct 2022



Source: U.S. Bureau of Labor Statistics

Core CPI, Food and Energy  
Jan 2021 to Oct 2022

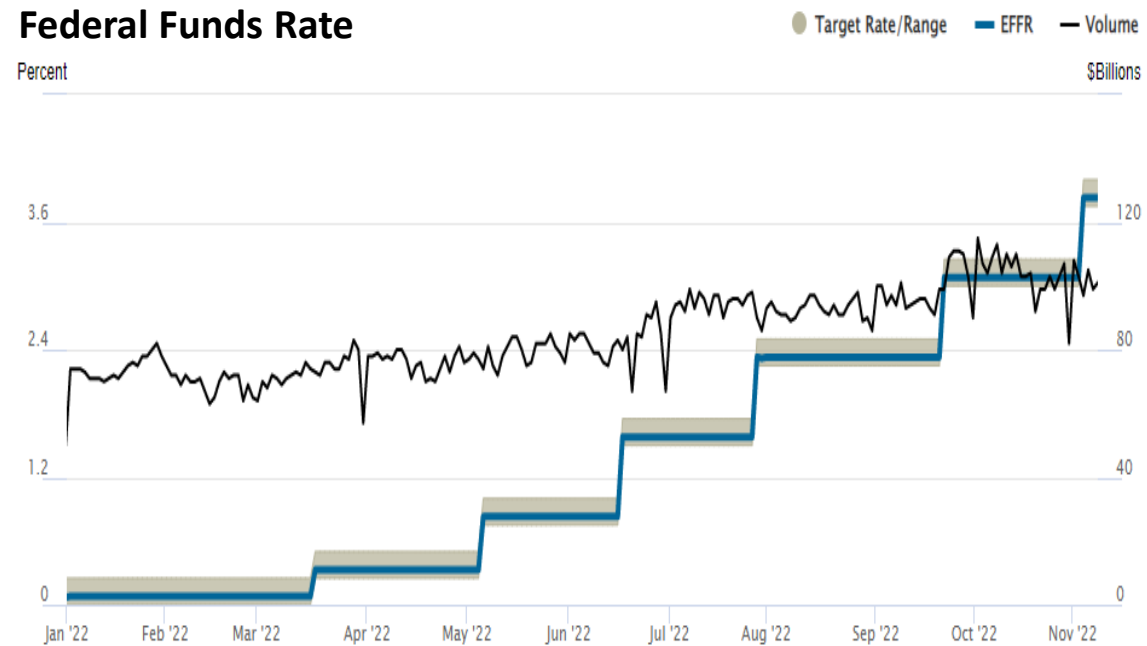


Source: U.S. Bureau of Labor Statistics



# Interest Rates

## Federal Funds Rate



Source: Federal Reserve Bank of New York

## 10-Year Note



Source: *The Wall Street Journal*

# Global Trade and Supply Chain

Global container shipping disruption has eased significantly, driven by declining demand for imports from Asia, and is freeing up the utilization of assets including ships and trucks.

The FBX rate is now \$3,364/FEU vs. a Sept 2021 high of \$11,109/FEU but is still well above pre-COVID historic levels.

- Recession fears
- High inflation limiting consumer demand
- China economic challenges from zero-COVID policy and real-estate sector crisis
- Full U.S. warehouses
- Lower levels of port congestion

## Potential future supply chain disruption

- Rail strikes (could impact coal deliveries in addition to general supply chain disruptions)
- Port strikes on the U.S. West Coast and Europe



FBX is the international freight rate index for 40' containers (FEUs) on the Baltic Exchange in London. It is based on a weighted average of freight rates for twelve underlying ocean freight routes and is measured in \$/FEU

Source: Freightos



**PROUD**

