



MUNICIPAL UTILITIES COMMITTEE FY2024 BUDGET

PRESENTED BY:

**Cory Kuchinsky, CPA
CFO & Treasurer**

February 28, 2023

Informational Update

AGENDA



- **Investments In Our Community**
- **FY2024 O&M and Capital Plans**
- **Rating Agency Update**

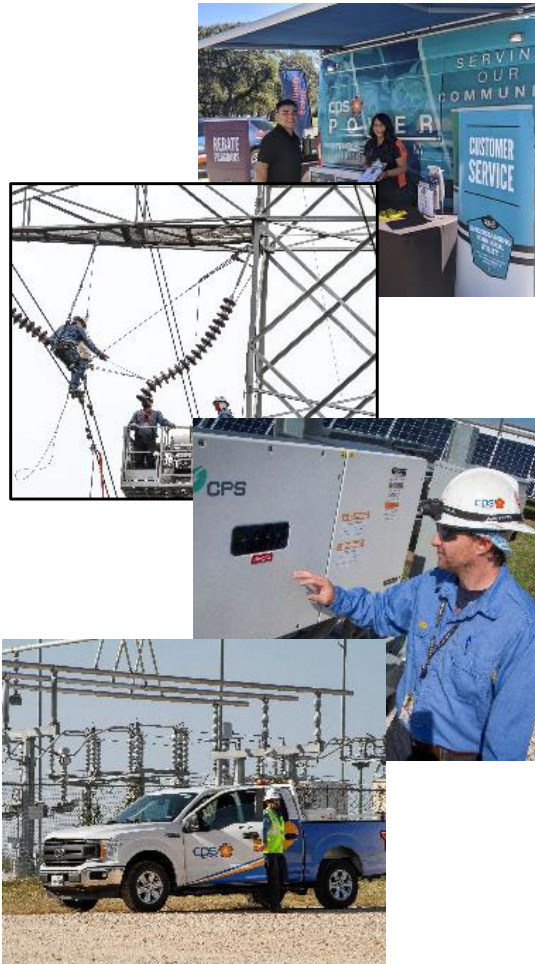
We are continuing a period of high investment as we move into next fiscal year.

INVESTING IN OUR COMMUNITY



FY2023 Investments

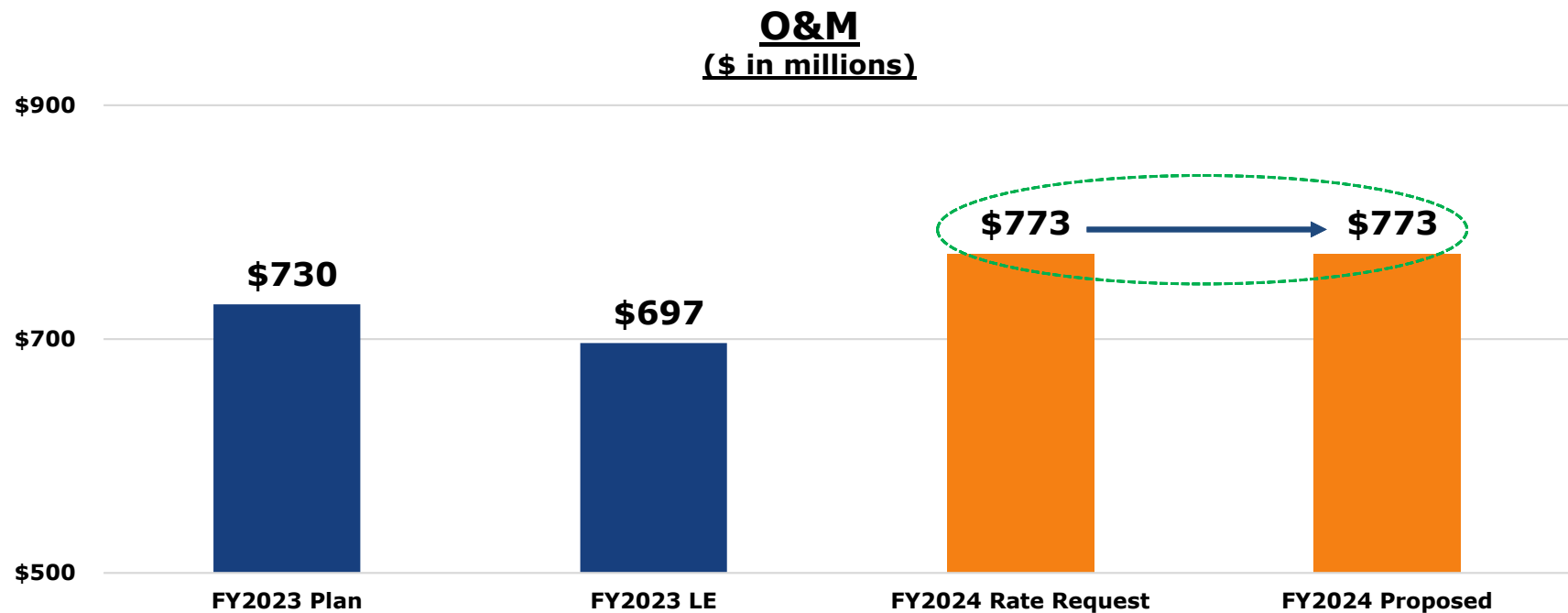
- Rate increase provided additional funding
- O&M and Capital plans included investments in:
 - Community growth ✓
 - Infrastructure modernization ✓
 - Technology ✓
 - People ✓
- Expect to end the year on par with our O&M and Capital plans



FY2024 Investments

- Bridge to additional funding in FY2025
- O&M and Capital plans include investment in:
 - Community growth
 - Generation fleet and grid
 - Technology
 - People
- O&M plan in line with prior budget
- High investment period driving a ~4% increase to Capital plan

NON-FUEL O&M



FY2024 Non-Fuel O&M plan is in line with long range plan approved last year.

Note: FY2023 LE includes ~\$26M of O&M favorability resulting from Pension/OPEB credit.

NON-FUEL O&M EXPENSES

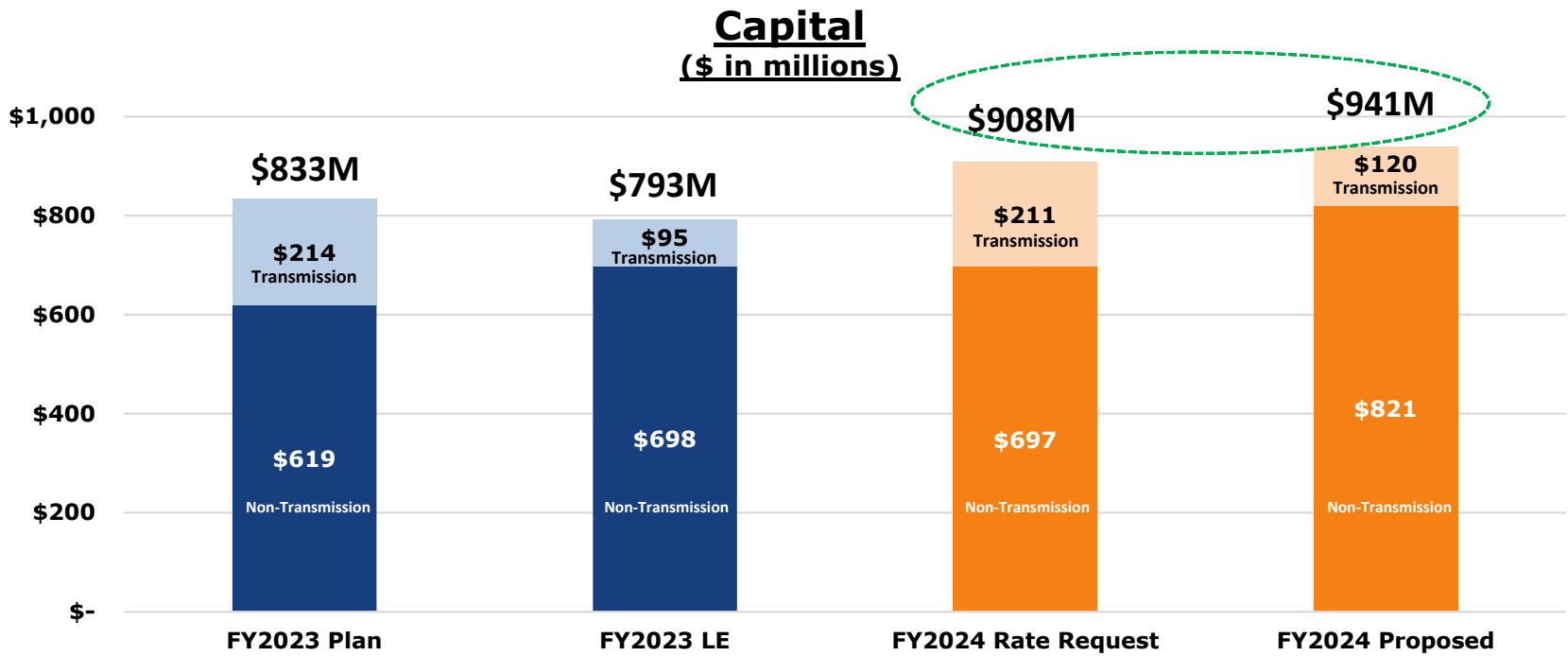
FY2024 BUDGET \$773M



\$353M	Labor Salaries & Wages, Benefits, Other Compensation
\$242M	Power Sustainability & Resiliency Generation fleet overhauls & seasonal readiness maintenance to maximize plant availability & minimize downtime
\$54M	Electric & Gas Infrastructure Reliability Electric & Gas distribution & transmission infrastructure maintenance, work to minimize quantity & duration of customer outages
\$58M	Technology Maintain & assess enterprise technology systems & design future state of technology platforms
\$66M	Customer & Community Engagement & Shared Services Investment in programs that promote engagement with customers & stakeholders - Key business areas critical to core operations, including Administration, Financial Services, Legal & Integrated Security

O&M budget supports key strategic initiatives including Customer Growth & Outreach, Technology Improvements & Reliability.

CAPITAL



In total, FY2024 Capital plan increases by \$33M vs. prior plan (transmission plan decreases, non-transmission plan increases).

CAPITAL EXPENSES

FY2024 BUDGET \$941M



\$357M	Infrastructure Modernization Includes upgrades at existing power plants, grid reliability enhancements & technological improvements.
\$314M	Customer Growth Primarily upgrading & extending service to new customers.
\$132M	System Growth Primarily gas & electric transmission and distribution system investments.
\$93M	Environmental/Legislative/Regulatory & Special Projects Primarily projects to address CEP recommendation & to comply with existing or new regulations.
\$45M	Civic Improvements Required infrastructure changes to support City, State & Federal capital projects.

The Capital budget addresses continued customer growth, while providing a reliable electric & gas system for the customer.

FY2024 PLAN

ADDITIONAL CONSIDERATIONS



Accounts Receivable	We will continue our focus on past due accounts & tight management of our cash reserves.
Generation Planning	Recent decisions regarding the future of our generation resources will be incorporated into our FY2025 long range plan.
Rate Design	As we begin discussing the important topic of rate design with our community, impacts of any decisions will be built into the FY2025 long range plan.
Disputed Fuel Costs from Winter Storm Uri	A portion of Winter Storm Uri fuel costs remain in dispute. Once resolution occurs, we will communicate if there is any additional impact to customers.

FY2024 PLAN SUMMARY



	<u>FY2023 Plan</u>	<u>FY2023 Forecast⁽¹⁾</u>	<u>FY2024 Rate Model</u>	<u>FY2024 Plan</u>
Adjusted Debt Service Coverage Ratio <i>(Threshold Value = 1.50)</i>	1.79	1.85	1.67	1.62
Debt Capitalization Ratio <i>(Threshold Value = <60%)</i>	61.7%	61.7%	62.3%	62.6%
Days Cash On Hand <i>(Threshold Value = 150)</i>	170	160	170	170
O&M	\$730M	\$697M⁽²⁾	\$773M	\$773M
Capital	\$833M	\$793M	\$908M	\$941M
R&R Fund Additions	\$345M	\$392M	\$314M	\$289M
Net Income	\$77M	\$51M	\$18M	(\$21M)

 Approval Requested

(1) Latest estimate through December (i.e., 11+1)

(2) Includes Pension/OPEB expense favorability

RATING AGENCY UPDATE



- **S&P, Moody's and Fitch visited Corporate Headquarters and toured plant facilities, January 2023.**
- **Discussions included: Vision 2027 strategy, rate plan and rate affordability, increased community support, financial position, and new long-term generation planning.**
- **Ratings are sensitive to several factors:**
 - **Approval of planned rate adjustments, starting FY 2025.**
 - **Resolution of URI litigation.**
 - **Reducing high customer past due receivables.**
 - **ERCOT market reform.**

Current			
Agency	Rating	Outlook	Comments
Fitch	AA-	Negative	No change
Moody's	Aa2	Stable	No change
S&P	AA-	Negative	No change

FitchRatings

MOODY'S
INVESTORS SERVICE

S&P Global
Ratings

Fitch reaffirms our credit rating; providing additional time to stabilize our rating outlook.



Thank You