



***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**

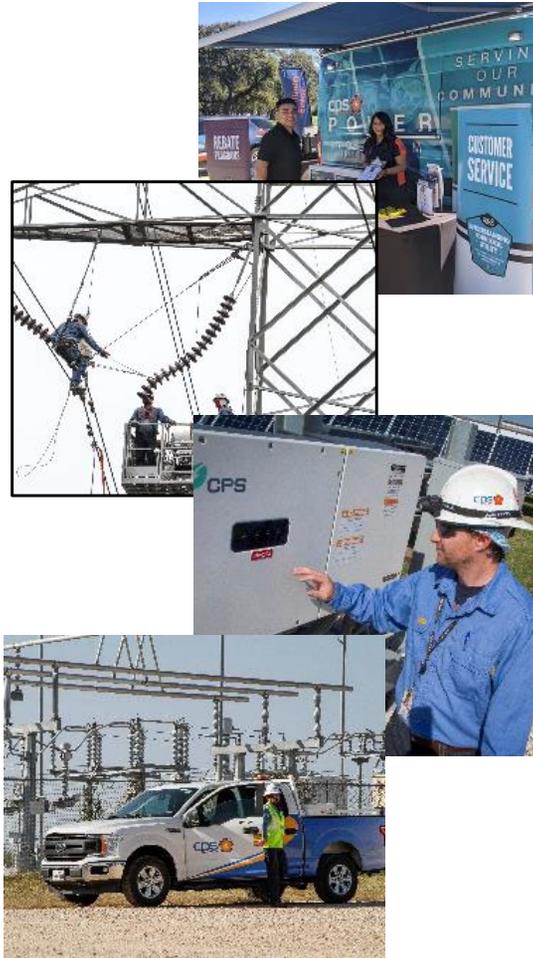
**We are continuing a period of high investment as we move into next fiscal year.**

# 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



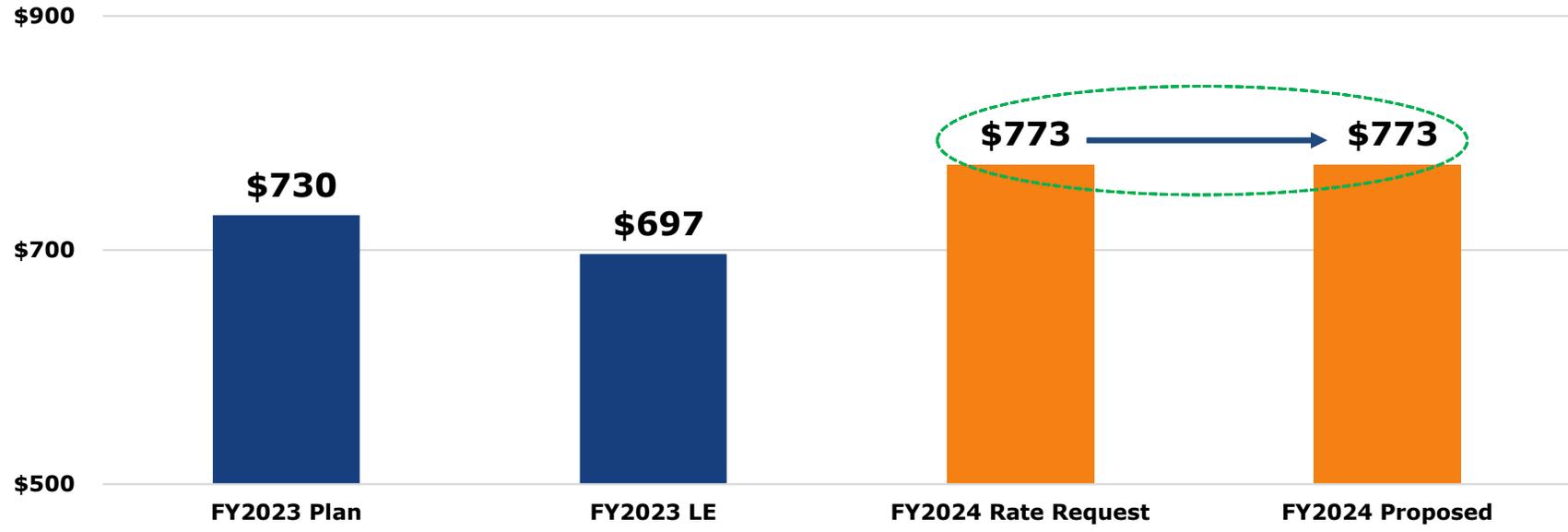
## FY2024 Investments

- 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



**O&M**  
**(\$ in millions)**



**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

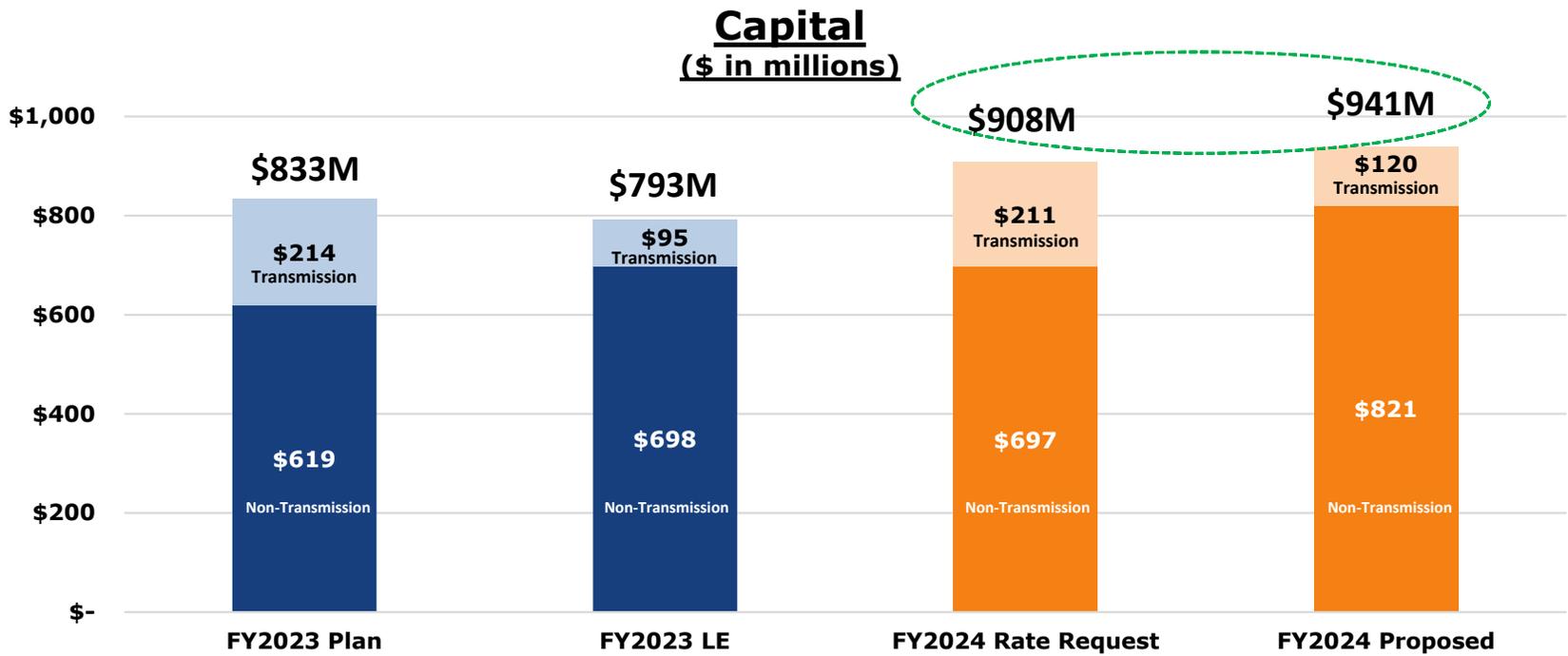
## FY2024 BUDGET \$773M



\$353M	<b>Labor</b> Salaries & Wages, Benefits, Other Compensation
\$242M	<b>Power Sustainability &amp; Resiliency</b> Generation fleet overhauls & seasonal readiness maintenance to maximize plant availability & minimize downtime
\$54M	<b>Electric &amp; Gas Infrastructure Reliability</b> Electric & Gas distribution & transmission infrastructure maintenance, work to minimize quantity & duration of customer outages
\$58M	<b>Technology</b> Maintain & assess enterprise technology systems & design future state of technology platforms
\$66M	<b>Customer &amp; Community Engagement &amp; Shared Services</b> 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	<b>Infrastructure Modernization</b> Includes upgrades at existing power plants, grid reliability enhancements & technological improvements.
\$314M	<b>Customer Growth</b> Primarily upgrading & extending service to new customers.
\$132M	<b>System Growth</b> Primarily gas & electric transmission and distribution system investments.
\$93M	<b>Environmental/Legislative/Regulatory &amp; Special Projects</b> Primarily projects to address CEP recommendation & to comply with existing or new regulations.
\$45M	<b>Civic Improvements</b> 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



<b>Accounts Receivable</b>	We will continue our focus on past due accounts & tight management of our cash reserves.
<b>Generation Planning</b>	Recent decisions regarding the future of our generation resources will be incorporated into our FY2025 long range plan.
<b>Rate Design</b>	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.
<b>Disputed Fuel Costs from Winter Storm Uri</b>	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<sup>(1)</sup></u>	<u>FY2024 Rate Model</u>	<u>FY2024 Plan</u>
<b>Adjusted Debt Service Coverage Ratio</b> <i>(Threshold Value = 1.50)</i>	<b>1.79</b>	<b>1.85</b>	<b>1.67</b>	<b>1.62</b>
<b>Debt Capitalization Ratio</b> <i>(Threshold Value = &lt;60%)</i>	<b>61.7%</b>	<b>61.7%</b>	<b>62.3%</b>	<b>62.6%</b>
<b>Days Cash On Hand</b> <i>(Threshold Value = 150)</i>	<b>170</b>	<b>160</b>	<b>170</b>	<b>170</b>
<b>O&amp;M</b>				
	<b>\$730M</b>	<b>\$697M<sup>(2)</sup></b>	<b>\$773M</b>	<b>\$773M</b>
<b>Capital</b>				
	<b>\$833M</b>	<b>\$793M</b>	<b>\$908M</b>	<b>\$941M</b>
<b>R&amp;R Fund Additions</b>				
	<b>\$345M</b>	<b>\$392M</b>	<b>\$314M</b>	<b>\$289M</b>
<b>Net Income</b>				
	<b>\$77M</b>	<b>\$51M</b>	<b>\$18M</b>	<b>(\$21M)</b>

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

Fitch Ratings

MOODY'S  
INVESTORS SERVICE

S&P Global  
Ratings

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



***Thank You***