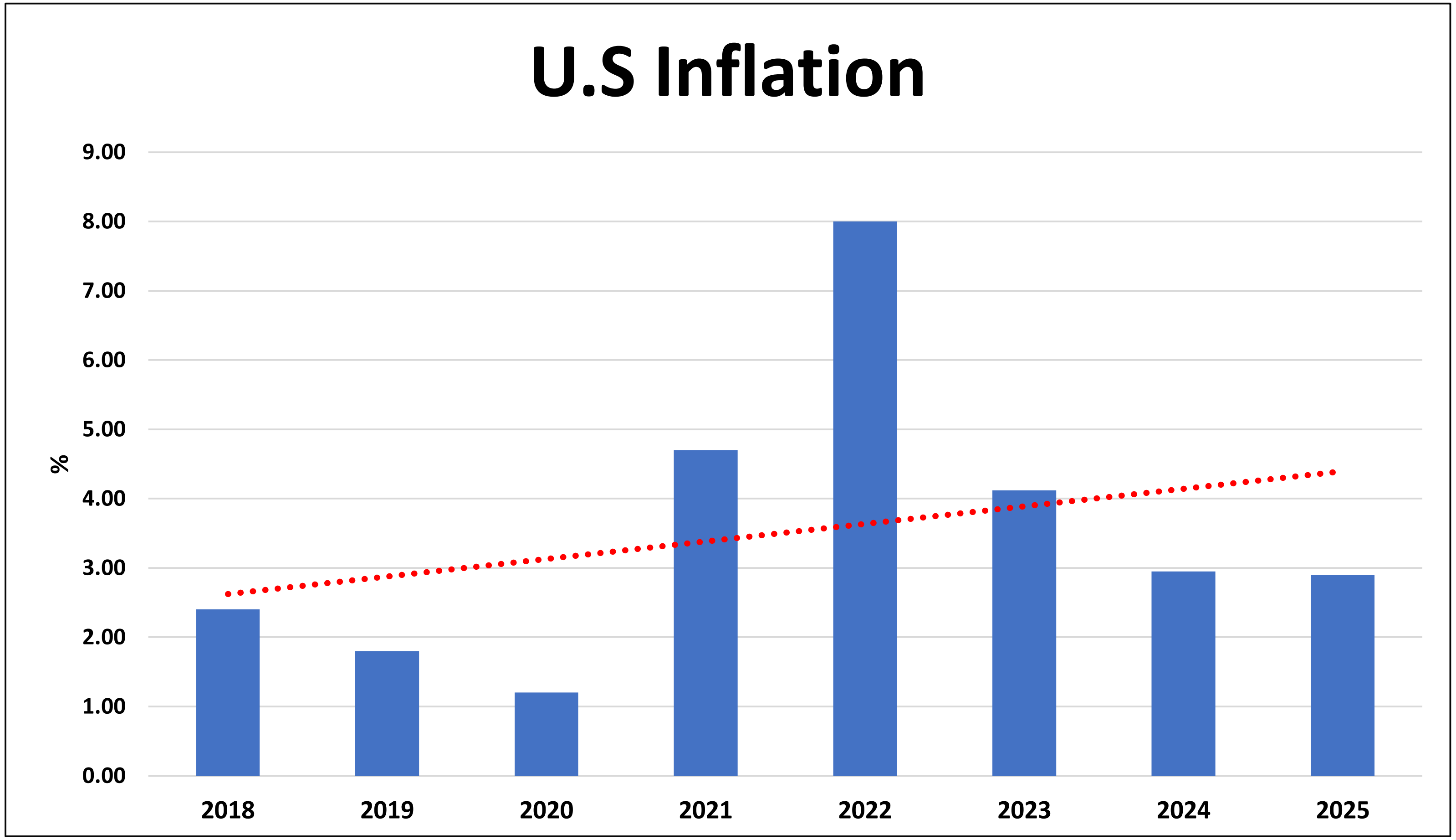
Mt. Pleasant Natural Gas Department Rate Study

October 2025

Agenda

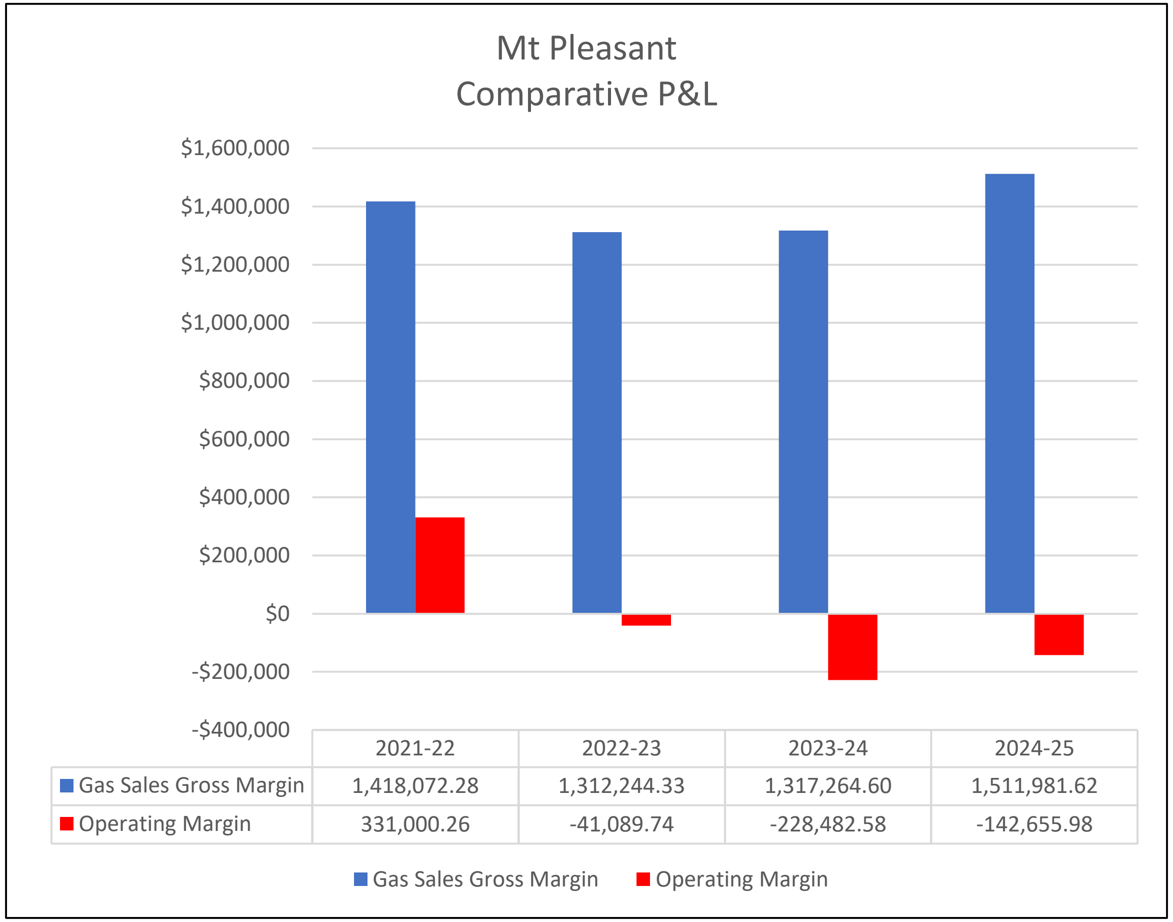
- Offsetting Inflation
  - Customer Growth
  - Rate Increase
- Rate Study Findings
  - Deficit driven by cost increases
  - Deficit is not weather-driven
- Rate Adjustment Recommendations
- Summary

Inflation Impact on Utility Operating Costs



- U.S. CPI Cumulative inflation rate since 2018 is 27%

Profit & Loss Changes



	2021-22	2022-23	2023-24	2024-25
Gas Sales Gross Margin	1,418,072.28	1,312,244.33	1,317,264.60	1,511,981.62
Operating Margin	331,000.26	-41,089.74	-228,482.58	-142,655.98

2021-2024 Primary Expense Drivers:

- 117% increase in Salaries Permanent Hourly Wages
- 35% Increase in Wages Hourly
- 265% Increase in Overtime Hourly
- 68% Increase FICA Employer's share
- 144% Hospital/Health Insurance
- 76% Increase in Depreciation

Utility Rates and Cost Recovery Frequency Analysis

Mt. Pleasant Gas									
VARIABLES:				Δ					
Base Annual Sales Volume		904,618							
Base Annual Operating Income		$ (179,920)		**$ (179,920)**					
Resi/Comm Sales volume change		0%	-	$ -					
Residential customer growth		0%	-	$ -					
Inflation		0%		$ -					
	# Customers	**Mcf**	**Vol %**	**Total Revenue**	**Rev %**	**Revenue /Unit**	**Margin / Mcf**	**Customer Charge**	**Customer charge annual revenue**
Total Residential 22	1,321	57,718	6%	$ 710,220	13%	$ 12.31	$ 7.10	$ 7.00	$ 110,964
Total Commercial 50	131	29,046	3%	$ 329,682	6%	$ 11.35	$ 6.14	$ 35.00	$ 55,020
Indiustrial 55	36	88,483	10%	$ 1,002,855	18%	$ 11.33	$ 6.13	$ 250.00	$ 108,000
Interruptible Industrial Tegrant/Ventek	1	170,955	19%	$ 699,289	12%	$ 4.09	$ (1.12)	$ 250.00	$ 3,000
Firm Indistrial UST	1	441,536	49%	$ 2,793,511	50%	$ 6.33	$ 1.12	$ 250.00	$ 3,000
Transportation Customer TAP/SCA	1	116,881	13%	$ 82,501	1%	$ 0.71	$ 0.71	$ 250.00	$ 3,000
TOTAL	1,454	904,618	100%	$ 5,618,058	100%				$ 282,984
Total Sales Volume DTH		787,737							
Budgeted Expenses									
Gas Cost			$ 5.21	$ 4,100,789	71%				
Operating Expense				$ 1,697,189	29%				
Operating Income				$ (179,920)					

Utility Rates and Cost Recovery Frequency Analysis

Mt. Pleasant	# Customers	Mcf	Vol %	Total Revenue	Rev %	Revenue /Unit	Margin / Mcf	Customer Charge	Customer charge annual revenue	$1.75 Rate Increase	Average Customer Increase per month	Increase Customer Charge $.25 Comm $75 Industrial	Incremental Margin from $.25 Transportation Rate increase
Total Residential 22	1,321	57,718	6%	$ 710,220	13%	$ 12.31	$ 7.10	$ 5.00	$ 79,260	$ 101,006	$ 6		
Total Commercial 50	131	29,046	3%	$ 329,682	6%	$ 11.35	$ 6.14	$ 5.00	$ 7,860	$ 50,830	$ 32	$ 31,440	
Indiustrial 55	36	88,483	10%	$ 1,002,855	18%	$ 11.33	$ 6.13	$ -	$ -	$ 154,846	$ 358	$ 32,400	
Interruptible Industrial Tegrant/Ventek	1	170,955	19%	$ 699,289	12%	$ 4.09	$ (1.12)	$ -	$ -				
Firm Indistrial UST	1	441,536	49%	$ 2,793,511	50%	$ 6.33	$ 1.12	$ -	$ -				
Transportation Customer TAP/SCA	1	116,881	13%	$ 82,501	1%	$ 0.71	$ 0.71	$ -	$ -				$ 29,220
TOTAL	1,454	904,618	100%	$ 5,618,058	100%				$ 87,120	$ 306,681		$ 63,840	$ 29,220
Total Sales Volume DTH		787,737											
Budgeted Expenses													
Gas Cost			$ 5.21	$ 4,100,789	71%								
Operating Expense				$ 1,697,189	29%								
Operating Income				$ 219,822									

- 14% Rate increase based on June 2025 rates $12.13 to 13.88
    - Average Residential monthly bill increase of $6
- Increase Commercial Customer Charge to $25 and Industrial to $75
- Industrial Transportation rate increase $.25- $29,220

Other Rate Recommendations

• Retain MuniGas Discount	$103,860
• Add UST to MuniGas	$132,461
• New Customer Connect Fees	$45,000
• Convert Ventek to Firm	<u>$382,939</u>
• Total Incremental Revenue	$664,260

Future Gas Department Impacts

- ETNG 123% Rate increase effective November 2025
  - Transportation rate increase from $1.23 to $2.74
  - Residential Customer increase $5.50 per month
- Incorporate the cost of Interconnecting UST tap with existing distribution system to provide incremental supply and accommodate Residential and Industrial growth

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