

Rochelle Municipal Utilities

Electric Financial Projection

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Presentation Objectives

- Financial Projection & Targets
 - Debt Coverage Ratios
 - Minimum Cash Reserves
 - Target Operating Income
- Previous Cost of Service Results
 - Cost to service each class of customers
 - Monthly Customer Charges
- Next Steps
 - Rate Design

Assumptions

Fiscal Year	Inflation	Growth	Purchase Power Change	Investment Income	Capital Improvements Plan
2023	5.0%	0.5%	12.9%	0.5%	6,908,833
2024	3.0%	0.5%	3.0%	0.5%	6,893,563
2025	3.0%	0.5%	3.0%	0.5%	6,794,849
2026	3.0%	0.5%	3.0%	0.5%	1,156,186
2027	3.0%	0.5%	3.0%	0.5%	2,035,493

Financial Projection

Current Rates

Fiscal Year	Debt Coverage Ratio	Adjusted Operating Income	Target Operating Income	Projected Cash Balances	Recommended Minimum Cash
2023	2.49	2,466,914	2,509,774	16,844,139	11,666,229
2024	2.35	2,017,841	2,752,349	11,610,392	11,923,893
2025	2.20	1,556,338	2,981,836	6,588,391	12,178,061
2026	2.04	1,194,237	2,967,405	6,967,826	12,326,265
2027	1.88	911,317	2,992,605	6,238,371	13,782,415

Financial Projection

Debt Coverage Ratio

Description	Projected 2023	Projected 2024	Projected 2025	Projected 2026	Projected 2027
Debt Coverage Ratio					
Net Income	\$ (162,623)	\$ (616,863)	\$ (1,080,090)	\$ (1,436,339)	\$ (1,684,755)
Add Depreciation/Amortization Expense	3,338,122	3,614,170	3,887,938	4,046,959	4,110,793
Add Interest Expense	512,200	482,725	447,100	404,900	361,000
Cash Generated from Operations	\$ 3,687,699	\$ 3,480,033	\$ 3,254,948	\$ 3,015,520	\$ 2,787,038
Debt Principal and Interest	\$ 1,482,200	\$ 1,477,725	\$ 1,482,100	\$ 1,479,900	\$ 1,481,000
Projected Debt Coverage Ratio (Covenants)	2.49	2.35	2.20	2.04	1.88
Minimum Debt Coverage Ratio	1.4	1.4	1.4	1.4	1.4

Financial Projection

Minimum Cash Determination

Description	Projected 2023	Projected 2024	Projected 2025	Projected 2026	Projected 2027
Minimum Cash Reserve Allocation					
Operation & Maintenance Less Depreciator	12.3%	12.3%	12.3%	12.3%	12.3%
Purchase Power Expense	9.3%	9.3%	9.3%	9.3%	9.3%
Historical Rate Base	2%	2%	2%	2%	3%
Current Portion of Debt Service Payment	83%	83%	83%	83%	83%
Five Year Capital Improvements - Net of bor	20%	20%	20%	20%	20%
% Plant Depreciated	50%	50%	51%	53%	56%
Calculated Minimum Cash Level					
Operation & Maintenance Less Depreciator	\$ 952,200	\$ 980,766	\$ 1,010,189	\$ 1,040,495	\$ 1,071,710
Purchase Power Expense	2,492,043	2,579,638	2,670,313	2,764,174	2,861,335
Historical Rate Base	2,237,690	2,375,561	2,511,458	2,534,582	3,862,937
Current Portion of Debt Service Reserve	1,226,512	1,230,143	1,228,317	1,229,230	1,228,649
Five Year Capital Improvements - Net of bor	4,757,785	4,757,785	4,757,785	4,757,785	4,757,785
Minimum Cash Reserve Levels	\$ 11,666,229	\$ 11,923,893	\$ 12,178,061	\$ 12,326,265	\$ 13,782,415
Projected Cash Reserves	\$ 16,844,139	\$ 11,610,392	\$ 6,588,391	\$ 6,967,826	\$ 6,238,371

Financial Projection

Operating Income

Description	Projected 2023		Projected 2024		Projected 2025		Projected 2026		Projected 2027	
Target Operating Income Determinants										
Net Book Value/Working Capital	\$	55,686,842	\$	58,966,235	\$	61,873,146	\$	58,982,373	\$	56,907,073
Outstanding Principal on Debt		23,615,000		22,620,000		21,585,000		20,510,000		19,390,000
System Equity	\$	32,071,842	\$	36,346,235	\$	40,288,146	\$	38,472,373	\$	37,517,073
Debt:Equity Ratio		42%		38%		35%		35%		34%
Target Operating Income Allocation										
Interest on Debt		2.17%		2.13%		2.07%		1.97%		1.86%
System Equity		6.23%		6.24%		6.29%		6.66%		7.01%
Target Operating Income										
Interest on Debt	\$	512,200	\$	482,725	\$	447,100	\$	404,900	\$	361,000
System Equity	\$	1,997,574	\$	2,269,624	\$	2,534,736	\$	2,562,505	\$	2,631,605
Target Operating Income	\$	2,509,774	\$	2,752,349	\$	2,981,836	\$	2,967,405	\$	2,992,605
Projected Operating Income	\$	2,466,914	\$	2,017,841	\$	1,556,338	\$	1,194,237	\$	911,317
Rate of Return in %		4.5%		4.7%		4.8%		5.0%		5.3%

Financial Projection

Projected Rate Track 1 – No Debt

Fiscal Year	Projected Rate Adjustments	Debt Coverage Ratio	Adjusted Operating Income	Target Operating Income	Projected Cash Balances	Recommended Minimum Cash
2023	1.8%	2.91	3,137,975	2,509,774	17,475,149	11,666,229
2024	1.8%	3.22	3,378,815	2,752,349	13,524,303	11,923,893
2025	1.8%	3.52	3,626,525	2,981,836	10,458,503	12,178,061
2026	0.0%	3.37	3,274,775	2,967,405	12,813,652	12,326,265
2027	0.0%	3.23	3,002,257	2,992,605	14,079,572	13,782,415

Financial Projection

Projected Rate Track 2 – \$5M 2024 Debt Issuance (20 year, 5%)

Fiscal Year	Projected Rate Adjustments	Debt Coverage Ratio	Adjusted Operating Income	Target Operating Income	Projected Cash Balances	Recommended Minimum Cash
2023	1.0%	2.72	2,839,726	2,509,774	17,194,700	11,343,500
2024	1.0%	2.23	2,770,940	2,699,569	17,269,645	11,729,147
2025	1.0%	2.31	2,697,321	2,929,202	12,947,611	12,127,958
2026	0.0%	2.19	2,340,924	2,900,625	14,035,878	11,659,272
2027	0.0%	2.08	2,063,737	2,913,766	14,024,191	13,115,422

Cost of Service

Electric Cost of Service Results (2020 study)

Customer Class	Cost of Service	Projected Rate Revenue	% Change
Residential (110)	\$ 5,387,245	\$ 5,251,080	2.6%
Residential Heat (120)	713,409	682,769	4.5%
Residential TOU (115)	156,213	134,165	16.4%
Small General Service (130)	2,621,876	2,974,429	-11.9%
Municipal	21,163	21,211	-0.2%
Exempt	56,934	58,814	-3.2%
Security Lighting (Secl)	96,002	88,820	8.1%
Street Lighting (SL)	202,608	143,867	40.8%
Small General Service (Demand) (140SGS)	2,376,673	2,548,898	-6.8%
Large General Service (150LGS)	8,194,935	8,499,181	-3.6%
Large General Service Int (151LGS)	686,774	697,520	-1.5%
Large General Service TOU (160LGST)	4,962,903	4,971,041	-0.2%
Large General Service Data (163LGSD)	2,629,823	2,704,032	-2.7%
Large General Service >5MW (165LGS)	5,572,689	5,554,413	0.3%
Hydroponic Agriculture Farming (167)	1,643,325	1,457,319	12.8%
Total	\$ 35,322,572	\$ 35,787,558	-1.3%

Monthly Charge (2020 Study)

Customer Class	COS Customer Charge	Current Average Customer Charge
Residential (110)	\$ 22.75	\$ 9.00
Residential Heat (120)	22.75	9.00
Residential TOU (115)	24.82	9.00
Small General Service (130)	39.35	20.00
Small General Service (Demand) (140SGS)	134.67	100.00
Large General Service (150LGS)	184.47	150.00
Large General Service Int (151LGS)	270.27	225.00
Large General Service TOU (160LGST)	270.27	260.00
Large General Service Data (163LGSD)	282.35	260.00
Large General Service >5MW (165LGS)	339.04	250.00
Hydroponic Agriculture Farming (167)	414.34	260.00

130 subsequent rate design reduced energy and raised customer charge to \$23
(8.2% Reduction overall)

Next Steps

- Other Scenarios?
- Rate Design – move toward cost of service
- PCA rebalance base