



Electric, Water and Wastewater Utility

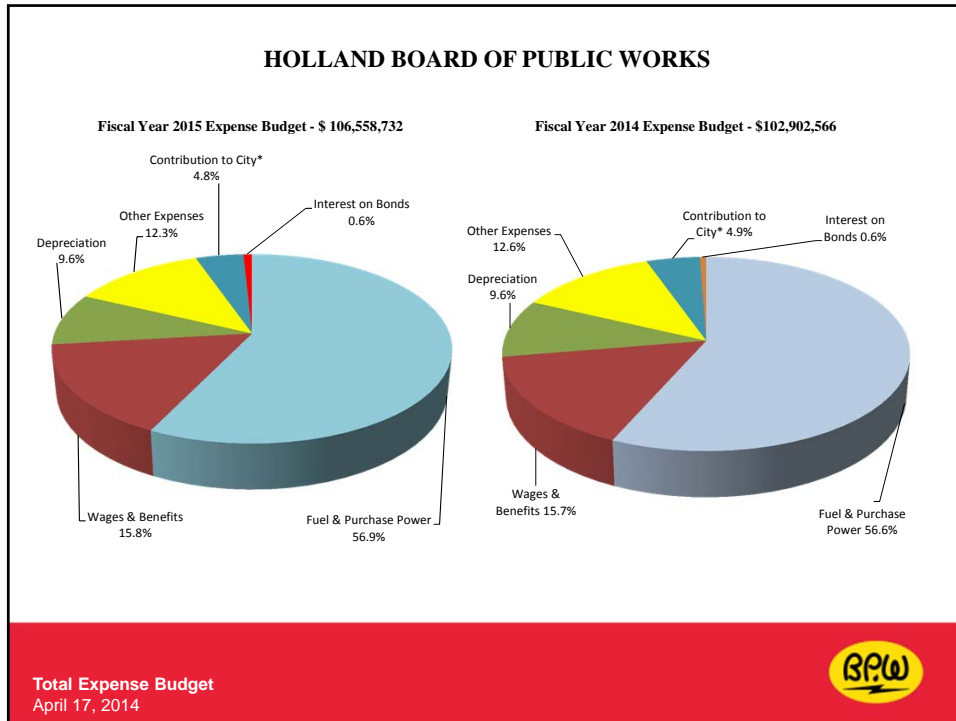
5 Year Projection

April 17, 2014

Financial Metrics driving revenue requirements

- Debt Coverage Ratio
 - $\frac{\text{Net income} + \text{interest expense} + \text{depreciation}}{\text{Annual debt service principal and interest}}$
- Minimum Cash Reserves
 - Restricted cash + 6 months operating expense
- Return on Net Plant
 - $\frac{\text{Net income}}{\text{Net plant assets}}$

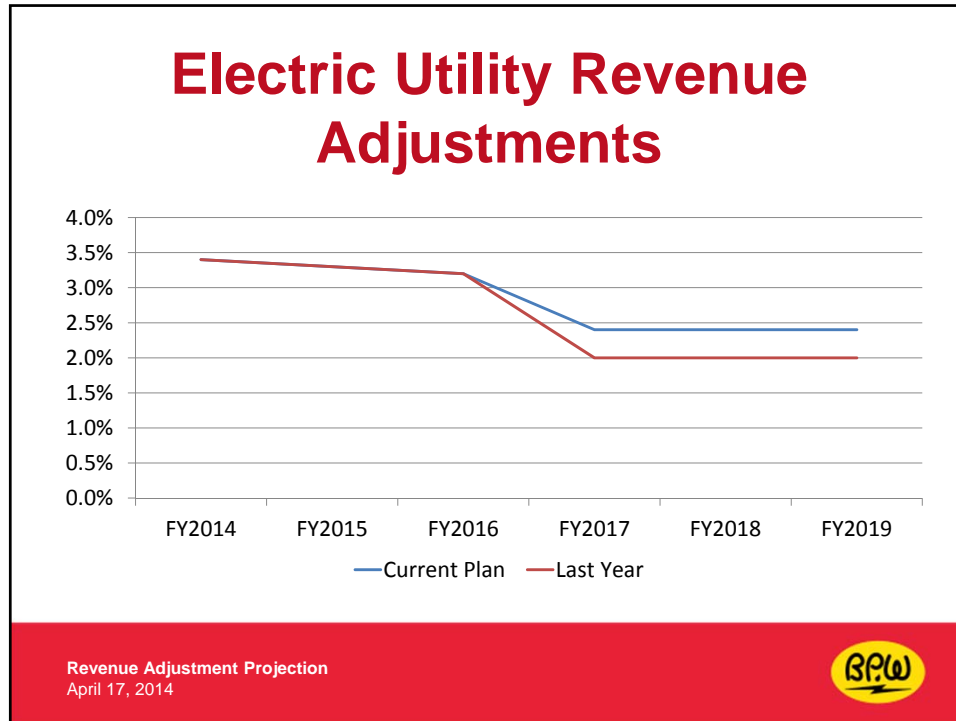




Electric Utility Plan Details

- New combined-cycle plant expected online by end of October, 2016
- Second wind contract coming online in FY 2015 bringing renewables over the 10% requirement
- Incremental fuel and power prices based on market prices in effect in early February, 2014
- Revenue adjustments average 2.8% over five year period (2.4% annually 2017-2019)

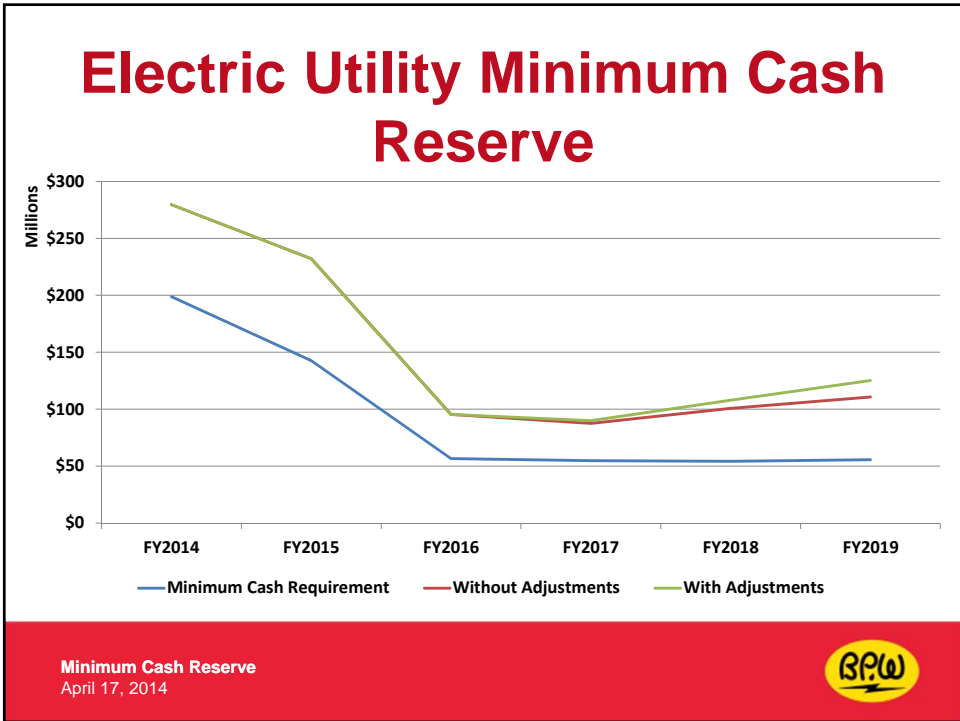
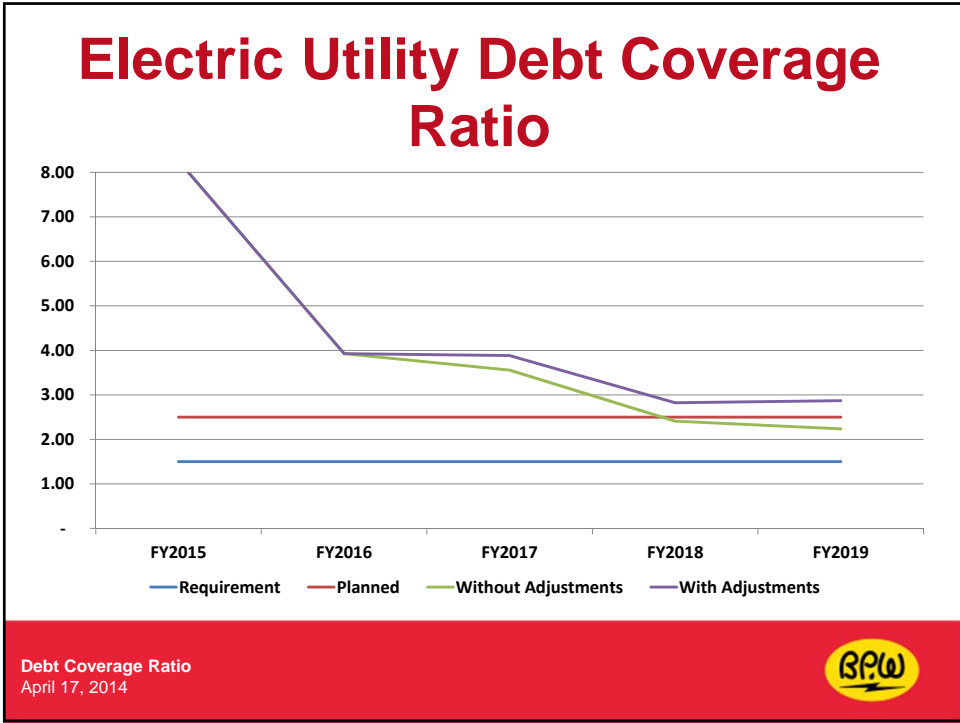
Electric Utility Plan Details
April 17, 2014

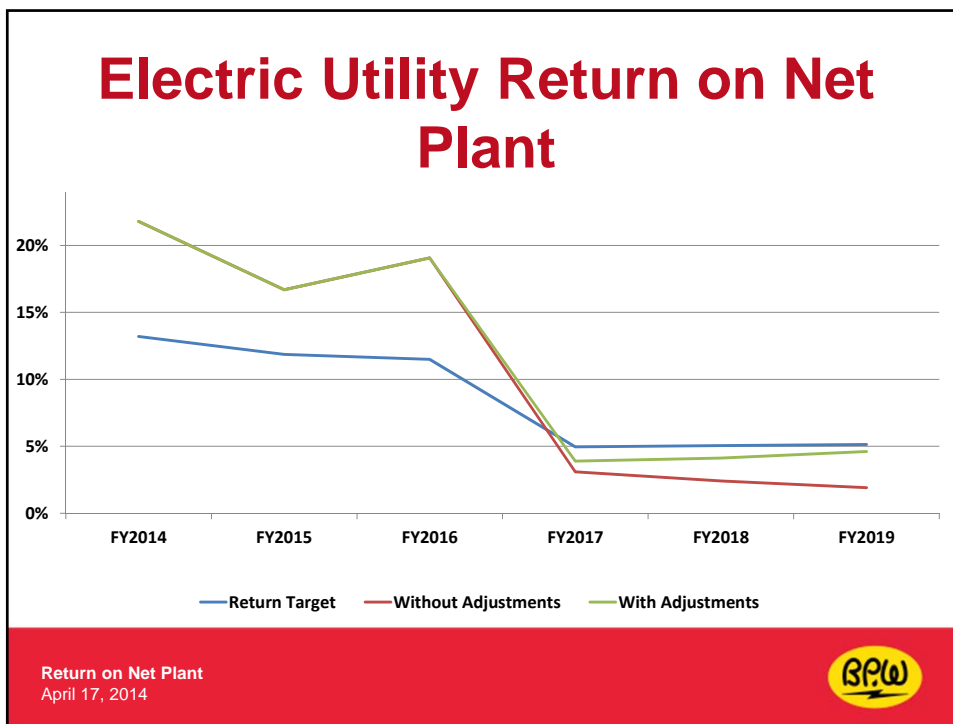


Electric Utility 5 Year Projection Revenues and Expenses

Revenue	FY2015	FY2016	FY2017	FY2018	FY2019
Retail Sales \$	97,193,717	100,998,028	104,255,821	107,589,770	111,031,808
Energy Optimization	1,357,199	1,454,995	1,457,809	1,489,859	1,522,631
Renewable Energy	1,803,211	1,803,211	1,803,211	1,803,211	1,803,211
Fees & Other	594,353	594,947	595,542	596,138	599,119
Total Revenue	\$ 100,948,479	\$ 104,851,181	\$ 108,112,383	\$ 111,478,977	\$ 114,956,769
Operating Expenses					
Fuel & Power \$	60,702,812	60,133,913	56,009,734	55,412,507	58,074,119
Non Fuel O&M	11,940,305	12,000,006	12,060,006	11,229,627	11,285,775
Conservation Electric	1,220,940	1,453,192	1,455,992	1,458,814	1,473,402
Administrative & General	4,949,005	4,973,750	4,998,618	5,023,612	5,048,730
Depreciation	6,491,613	7,536,826	11,884,449	13,912,765	13,622,022
Total Operating Expenses	\$ 85,304,674	\$ 86,097,686	\$ 86,408,799	\$ 87,037,324	\$ 89,504,048
Non-operating Income/(Expense)					
Interest Income \$	488,950	595,000	406,254	460,784	463,088
Interest Expense	-	-	(4,831,133)	(7,246,700)	(7,115,750)
Contribution to the City	(5,094,000)	(5,675,730)	(5,855,005)	(6,040,076)	(6,231,132)
Other	-	-	-	-	-
Total Non-operating Income/(Expense)	\$ (4,605,050)	\$ (5,080,730)	\$ (10,279,884)	\$ (12,825,992)	\$ (12,883,794)
Net Income	\$ 11,038,754	\$ 13,672,765	\$ 11,423,700	\$ 11,615,661	\$ 12,568,927

5 Year Projection Revenues and Expenses
April 17, 2014






Electric Utility Capital Plan Review FY2015

- **Production Capital**
 - Unit 10 Combined Cycle \$57,114,948
 - Snowmelt Supports 2,100,000
 - Unit 6 and 8 upgrade 1,140,000
 - 48th Street Driveway 125,000
 - James De Young equipment 87,500
 - Replace Ash Pond weir outlets 50,000
- **Transmission & Distribution**
 - Distribution improvements/Miscellaneous equipment \$3,642,000
 - Pine Ave Substation 1,000,000
 - Metering 1,000,000
 - Relocate Circuits from James De Young 300,000
 - Substation improvements 285,000
 - Fiber Optics distribution 265,000
 - Vehicles 40,000

Total \$67,149,448

Capital Plan Review FY2015
April 17, 2014



Electric Utility Capital Plan Review FY2016

• <u>Production Capital</u>	
– Unit 10 Combined Cycle	\$142,346,264
– Snowmelt Lines	3,500,000
– Snowmelt Supports	2,100,000
– Supplemental gas line interconnect	1,700,000
– Unit 9 Hot Gas Path Inspection	1,500,000
– James De Young equipment	220,000
• <u>Transmission & Distribution</u>	
– Distribution improvements	\$2,300,000
– Metering	500,000
– Distribution Transformer Upgrades	200,000
– Fiber Optics – lines and vehicle	199,000
– Miscellaneous Equipment	175,000
– Substation improvements	50,000
– Vehicle – T&D	40,000
Total	\$154,830,264

Capital Plan Review FY2016
April 17, 2014



Electric Utility Capital Plan Review FY2017

• <u>Production Capital</u>	
– Unit 10 Combined Cycle	\$21,122,634
– Unit 8 Hot Gas Path Inspection	1,250,000
– Unit 7 Painting	75,000
• <u>Transmission & Distribution</u>	
– Distribution improvements	\$2,300,000
– Replace James St T1 Transformer	1,000,000
– Vehicles	240,000
– James St. miscellaneous/Poles inspection	215,000
– Fiber Optics – lines	175,000
Total	\$26,377,634

Capital Plan Review FY2017
April 17, 2014



Electric Utility Capital Plan Review FY2018

• <u>Production Capital</u>	
– Unit 8 Painting	\$75,000
• <u>Transmission & Distribution</u>	
– Distribution improvements	\$1,900,000
– Replace Transmission Poles	900,000
– Fiber Optics - lines	175,000
– Vehicles	140,000
Total	\$3,190,000

Capital Plan Review FY2018
April 17, 2014



Electric Utility Capital Plan Review FY2019

• <u>Production Capital</u>	
– Unit 9 Hot Gas Path Inspection	\$1,500,000
• <u>Transmission & Distribution</u>	
– Distribution improvements	\$2,000,000
– Scada Systems Upgrade	450,000
– Vehicles	250,000
– Fiber Optics - lines	175,000
Total	\$4,425,000

Capital Plan Review FY2019
April 17, 2014



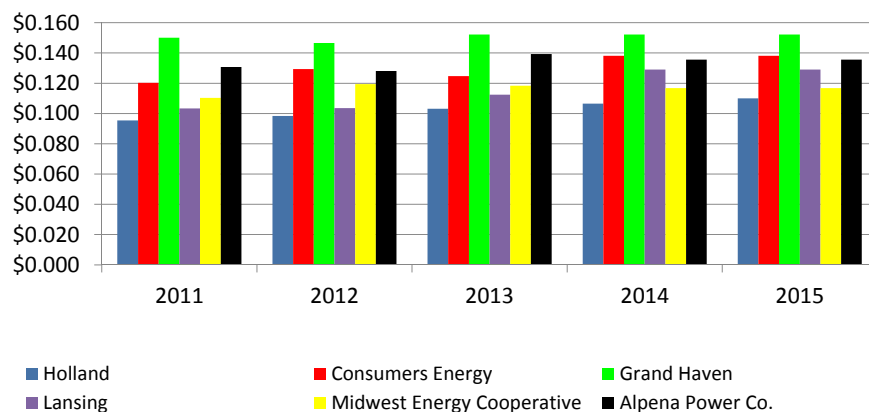
Electric Utility Summary

- Planned capital expenditures for next five years is \$256,505,096
- Vast majority is the new power plant
- Rate adjustments are already approved for changes going into effect on July 1, 2014 and July 1, 2015
- Retail rates remain very competitive after adjustments

Summary
April 17, 2014



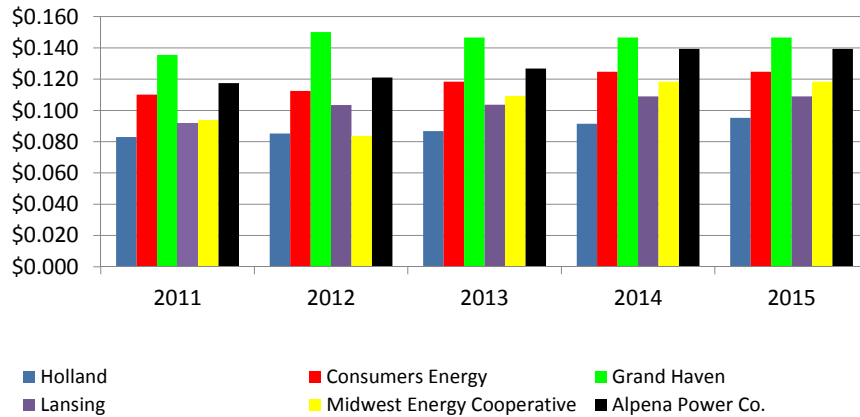
Electric Utility Residential Average Rate per kwh



Summary
April 17, 2014



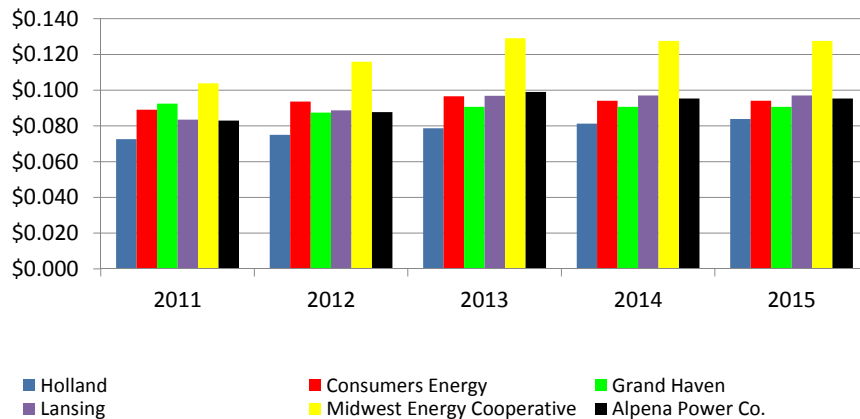
Electric Utility Commercial Average Rate per kwh



Summary
April 17, 2014



Electric Utility Industrial Average Rate per kwh



Summary
April 17, 2014



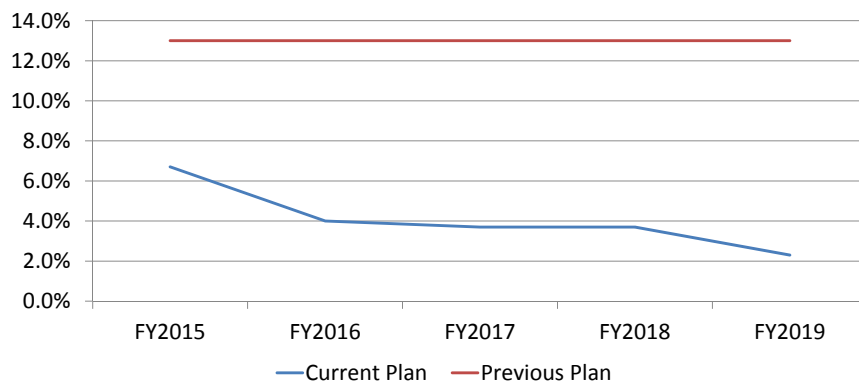
Water Utility Plan Details

- Primary issue has been declining cash reserves
- Water is also leveraged more than the other utilities
- Aging distribution infrastructure needs addressing at higher rate
- No sales unit growth expected: Same usage as FY 2013
- Two years ago: Began what was expected to be five years of 13% annual rate adjustments
- Refinancing of debt and strong sales have improved cash flow projections
- Current plan: 6.7% increase in FY 2014, then reduced amounts in next four years
- Adjustments planned for both the readiness-to-serve and commodity rates based on cost of service targets

Water Utility Plan Details
April 17, 2014



Water Utility Revenue Adjustments



Revenue Adjustment Projection
April 17, 2014



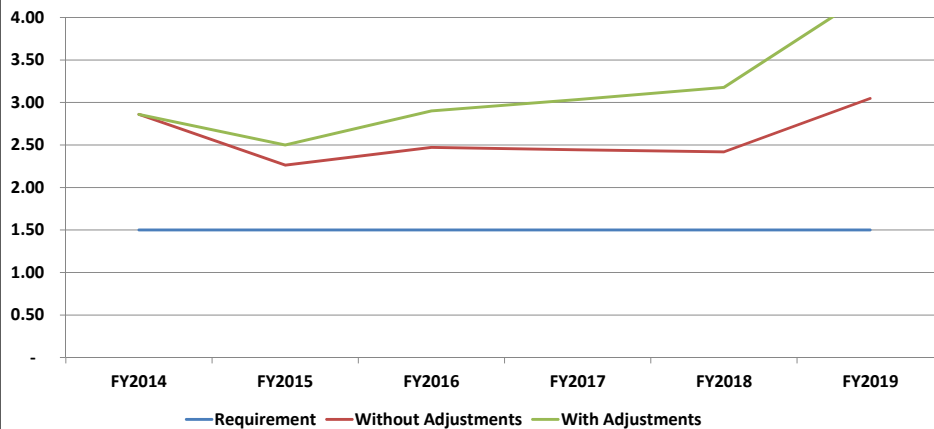
Water Utility 5 Year Projection Revenues and Expenses

Revenue	FY2015	FY2016	FY2017	FY2018	FY2019
Retail Sales \$	6,818,357	\$ 7,084,408	\$ 7,338,339	\$ 7,601,618	\$ 7,947,490
Wholesale	2,026,091	2,058,874	2,092,236	2,126,186	2,208,576
Fees & Other	188,787	190,674	192,581	194,507	194,507
Total Revenue	\$ 9,033,235	\$ 9,333,957	\$ 9,623,156	\$ 9,922,312	\$ 10,350,573
Operating Expenses					
Operation & Maintenance \$	4,659,345	\$ 4,752,532	\$ 4,847,583	\$ 4,944,534	\$ 5,062,517
Depreciation	1,654,781	1,752,677	1,823,228	1,884,558	1,655,699
Total Operating Expenses	\$ 6,314,126	\$ 6,505,209	\$ 6,670,811	\$ 6,829,092	\$ 6,718,217
Non-operating Income/(Expense)					
Interest Income \$	21,000	\$ 17,617	\$ 17,839	\$ 18,817	\$ 18,912
Interest Expense	(644,981)	(437,846)	(389,199)	(338,584)	-
Other	30,000	30,300	30,603	30,909	31,218
Total Non-operating Income/(Expense)	\$ (593,981)	\$ (389,929)	\$ (340,757)	\$ (288,857)	\$ 50,130
Net Income	\$ 2,125,127	\$ 2,438,819	\$ 2,611,588	\$ 2,804,362	\$ 3,682,486

5 Year Projection Revenues and Expenses
April 17, 2014



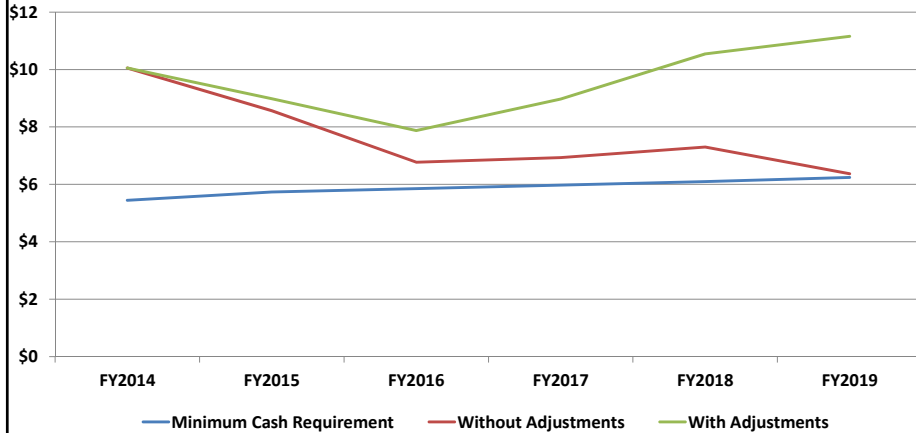
Water Utility Debt Coverage Ratio



Debt Coverage Ratio
April 17, 2014



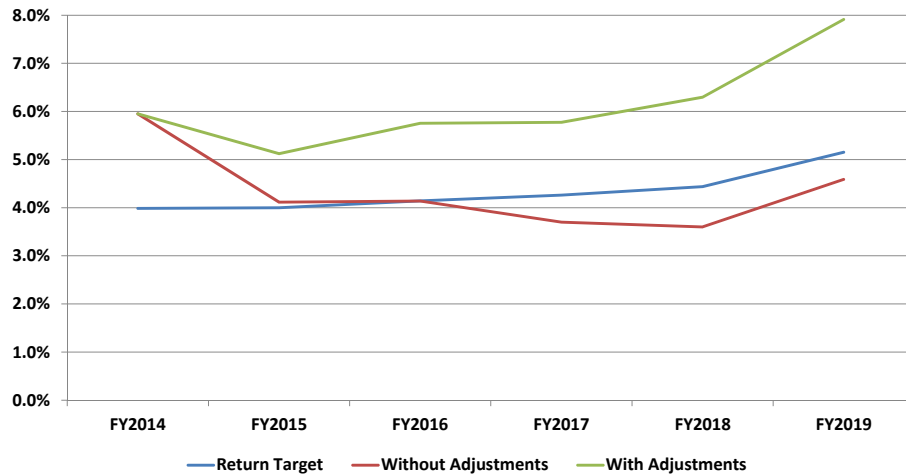
Water Utility Minimum Cash Reserve



Minimum Cash Reserve
April 17, 2014



Water Utility Return on Net Plant



Return on Net Plant
April 17, 2014



Water Utility Capital Plan Review FY2015

• <u>Water Treatment Plant</u>	
– Filter piping gallery valve replacement	\$1,300,000
– Rebuild basin	100,000
– Miscellaneous Equipment	63,000
– Various equipment replace/rebuilds	60,000
– Vehicle/mower replacement	25,000
• <u>Water Distribution</u>	
– Water mains replacement	\$1,524,000
– Various Improvements/Bypass 33 rd & Pioneer	135,000
– Vehicle replacement (#73 & 77)	129,000
– Various Pump Station improvements	72,000
– Hydrants	30,000
– Meters	20,000
Total	\$3,458,000

Capital Plan Review FY2015
April 17, 2014



Water Utility Capital Plan Review FY2016

• <u>Water Treatment Plant</u>	
– Replace Sodium Hypochlorite Tank	\$250,000
– Basin rebuild	100,000
– PLC rebuild	100,000
– Replace Fluoride Storage Tank	60,000
– Replace chemical feed pump	54,000
– Operation floor remodel	30,000
• <u>Water Distribution</u>	
– Water mains replacement	\$3,337,900
– Various improvements	125,000
– Vehicle replacement (#75)	32,000
– Hydrant replacement	30,000
– Meters: new & replace	25,000
Total	\$4,143,900

Capital Plan Review FY2016
April 17, 2014



Water Utility Capital Plan Review FY2017

• <u>Water Treatment Plant</u>	
– Basin rebuild	\$115,000
– PLC rebuild	100,000
– Engineering Water Treatment Plant	100,000
– Storage tank replacement	60,000
– Bulk Chemical Storage Level Monitor	36,000
– Vehicle replacement	30,000
• <u>Water Distribution</u>	
– Water mains replacement	\$1,452,500
– Various improvements	125,000
– Meters: new & replace	50,000
– Vehicle replacement (#70)	35,000
– Hydrant replacement	30,000
Total	\$2,133,500

Capital Plan Review FY2017
April 17, 2014



Water Utility Capital Plan Review FY2018

• <u>Water Treatment Plant</u>	
– Roof replacement	\$200,000
– Upgrade Control Panel/DR 4000	106,000
• <u>Water Distribution</u>	
– Water mains replacement	\$809,100
– Transmission Main Analysis	350,000
– Meters: new & replace	250,000
– Various improvements	125,000
– Hydrant replacement	35,000
Total	\$1,875,100

Capital Plan Review FY2018
April 17, 2014



Water Utility Capital Plan Review FY2019

• <u>Water Treatment Plant</u>	
– Replace High Service pump	\$1,000,000
– Replace chemical feed pump alum	28,000
• <u>Water Distribution</u>	
– Water mains replacement	\$2,063,200
– Transmission main replacement	178,200
– Various Improvements	125,000
– Meters: new & replace	50,000
– Hydrant replacement	35,000
 Total	 \$3,479,400

Capital Plan Review FY2019
April 17, 2014



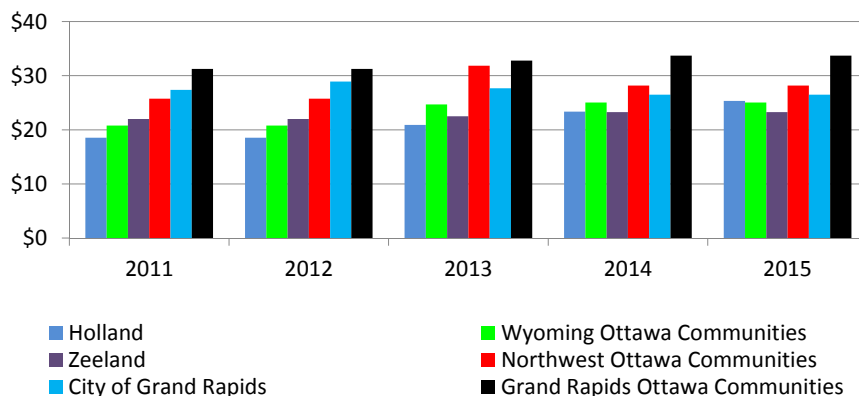
Water Utility Summary

- Planned capital expenditures for next five years is \$15,356,275
- Planned water main replacement for the next five years is \$9,186,700
- To meet this capital expenditure plan requires additional annual revenue to maintain minimum cash
- The planned revenue adjustments are sufficient to achieve targeted return on net plant

Summary
April 17, 2014



Water Utility Residential Average Bill (5/8" meter 10 ccf)



Residential Average Bill (5/8" meter 10 ccf)
April 17, 2014



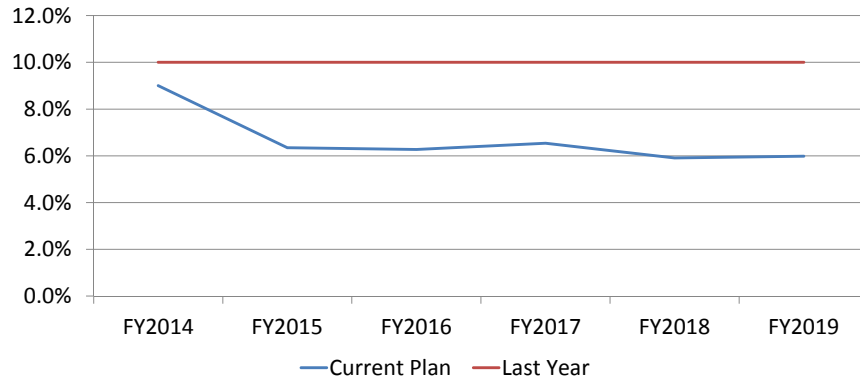
Wastewater Utility Plan Details

- Bio-Solids and East Plant Optimization are next major treatment issue
- Aging collection infrastructure needs addressing at higher rate
- Lift station improvements are ongoing
- Two years ago: Began five years of 10% revenue increases
- Current plan: Somewhat less
 - More evaluation is needed to distinguish plant and collection system revenue needs
- Adjustments planned for both the readiness-to-serve, commodity rates and high strength surcharges

Wastewater Utility Plan Details
April 17, 2014



Wastewater Utility Revenue Adjustments



Revenue Adjustment Projection
April 17, 2014

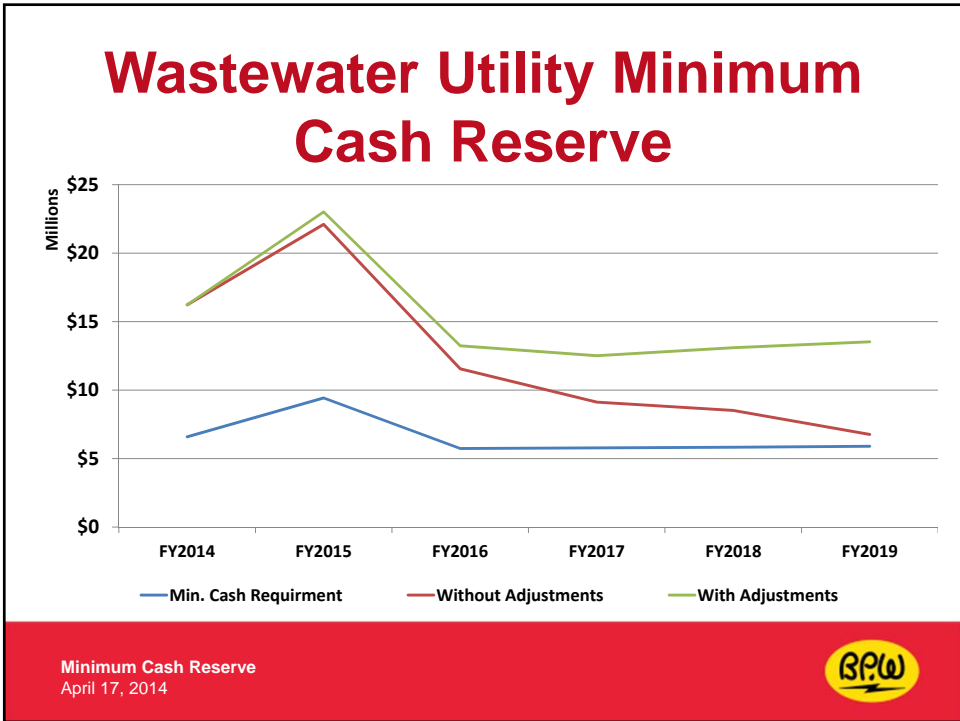
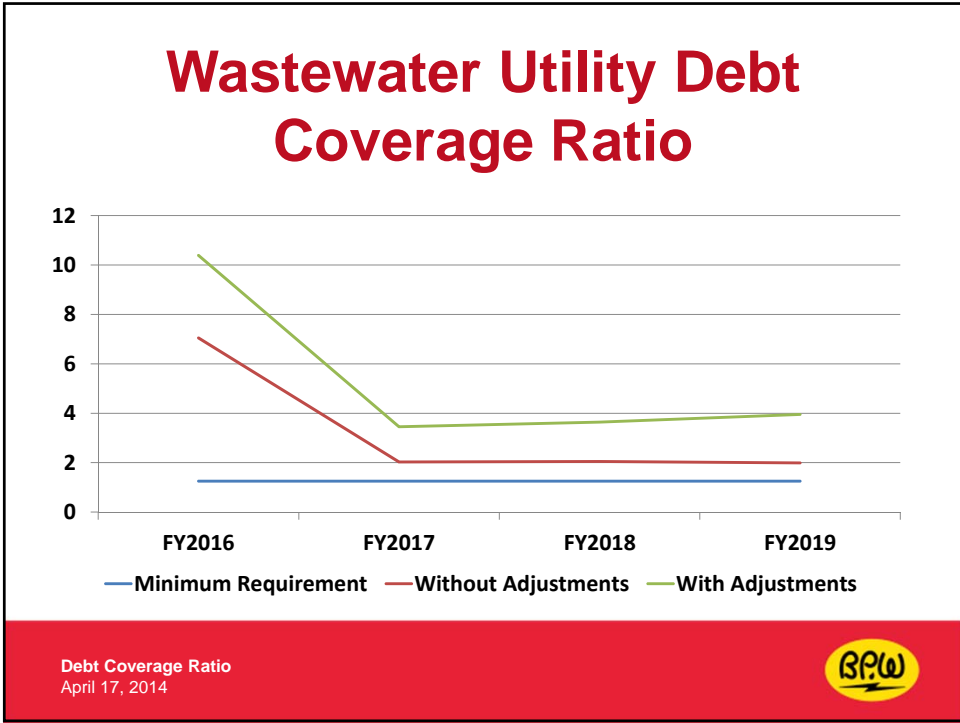


Wastewater Utility 5 Year Projection Revenues and Expenses

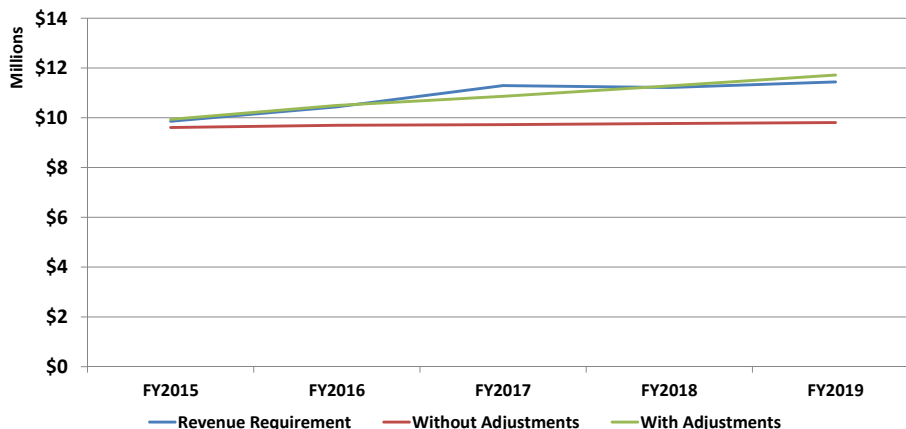
Revenue	FY2015	FY2016	FY2017	FY2018	FY2019
Retail Sales \$	5,706,553	\$ 5,892,232	\$ 6,277,543	\$ 6,648,558	\$ 7,046,404
Wholesale	2,393,074	2,443,565	2,427,839	2,288,973	2,329,670
Surcharge & Pollution Control	1,911,639	2,115,112	2,157,414	2,200,562	2,239,891
Fees & Other	47,465	47,702	47,941	47,941	47,941
Total Revenue	\$ 10,058,731	\$ 10,498,611	\$ 10,910,737	\$ 11,186,034	\$ 11,663,906
Operating Expenses					
Operation & Maintenance \$	7,092,484	\$ 7,163,408	\$ 7,235,043	\$ 7,307,393	\$ 7,453,541
Depreciation	1,998,466	1,844,624	2,844,345	2,987,781	3,009,034
Total Operating Expenses	\$ 9,090,950	\$ 9,008,033	\$ 10,079,387	\$ 10,295,174	\$ 10,462,575
Non-operating Income/(Expense)					
Interest Income \$	29,250	\$ 16,030	\$ 19,402	\$ 24,329	\$ 24,329
Interest Expense	-	-	(476,000)	(452,200)	(427,420)
Other	52,500	-	-	-	-
Total Non-operating Income/(Expense)	\$ 81,750	\$ 16,030	\$ (456,598)	\$ (427,871)	\$ (403,091)
Net Income	\$ 1,049,531	\$ 1,506,608	\$ 374,751	\$ 462,990	\$ 798,240

5 Year Projection Revenues and Expenses
April 17, 2014





Wastewater Utility Revenue Requirement



Revenue Requirement
April 17, 2014



Wastewater Utility Capital Plan Review FY2015

• Wastewater Treatment Plant	
– Bio-Solids process	\$4,750,000
– Optimization Project	3,500,000
– New Contact and Plant Effluent	1,750,000
– Miscellaneous Equipment/Upgrades	266,000
– Replace Drive on Final #3	60,000
– Vehicle replacement/Update break room	48,500
• Wastewater Collection	
– Sewer mains replacement	\$864,000
– Lift station	650,000
– Sewer Lining	500,000
– Manhole Abandon	300,000
– Various Improvements	150,000
– Vehicle replacement (#73)	65,000
– Street resurfacing	50,000
– Meters/Sounding Device	40,000
Total	\$12,993,500

Capital Plan Review FY2015
April 17, 2014



Wastewater Utility Capital Plan Review FY2016

• <u>Wastewater Treatment Plant</u>	
– Bio-Solids Process	\$4,750,000
– Optimization Project	3,500,000
– New Contact and Plant Effluent	1,750,000
– Miscellaneous Equipment/Upgrades	282,500
– Vehicle replacement	26,000
• <u>Wastewater Collection</u>	
– Sewer Lining 27"	\$1,500,000
– Lift station	400,000
– Sewer mains replacement	350,000
– Various Improvements	150,000
– Street resurfacing	50,000
– Meters replacement	20,000
Total	\$12,778,500

Capital Plan Review FY2016
April 17, 2014



Wastewater Utility Capital Plan Review FY2017

• <u>Wastewater Treatment Plant</u>	
– Replace Raw Pumps and related equipment	\$700,000
– Miscellaneous Equipment/Upgrades	120,000
– New Pollution Control Software	60,000
– Bathroom Renovation/Replace Air Handling Unit	36,000
– Parking Lot improvements	30,000
– Vehicle replacement	26,000
• <u>Wastewater Collection</u>	
– Manhole Rehab	\$750,000
– Sewer Lining 27"	500,000
– Lift station	450,000
– Various Improvements	249,000
– Sewer mains replacement	235,000
– Vehicle replacement (#89)	150,000
– Street resurfacing	50,000
– Meters	50,000
Total	\$3,406,000

Capital Plan Review FY2017
April 17, 2014



Wastewater Utility Capital Plan Review FY2018

• <u>Wastewater Treatment Plant</u>	
– Replace Drive on Final #4	\$60,000
– Controls Upgrade/Lab Renovations	55,000
– Air Diffusers	50,000
– Miscellaneous Equipment	46,000
– Algae Sweeps	35,000
• <u>Wastewater Collection</u>	
– Lift station	\$650,000
– Sewer Mains replacements	552,900
– Various Improvements	500,000
– Meters	250,000
– Eliminate dual drains	203,000
– Street resurfacing	50,000
– Vehicle replacement (#82)	35,000
Total	\$2,486,900

Capital Plan Review FY2018
April 17, 2014



Wastewater Utility Capital Plan Review FY2019

• <u>Wastewater Treatment Plant</u>	
– Rebuild primary clarifiers	\$560,000
– Replace drive on final #6	60,000
– Miscellaneous Equipment/Upgrades	52,000
– Replace MCC-7	50,000
• <u>Wastewater Collection</u>	
– Sewer main replacement	\$1,497,600
– Lift station	400,000
– Various Improvements/Construct 12" Reuse	222,000
– Meters	50,000
– Street resurfacing	50,000
– Vehicle replacement (#84)	35,000
Total	\$2,976,600

Capital Plan Review FY2019
April 17, 2014



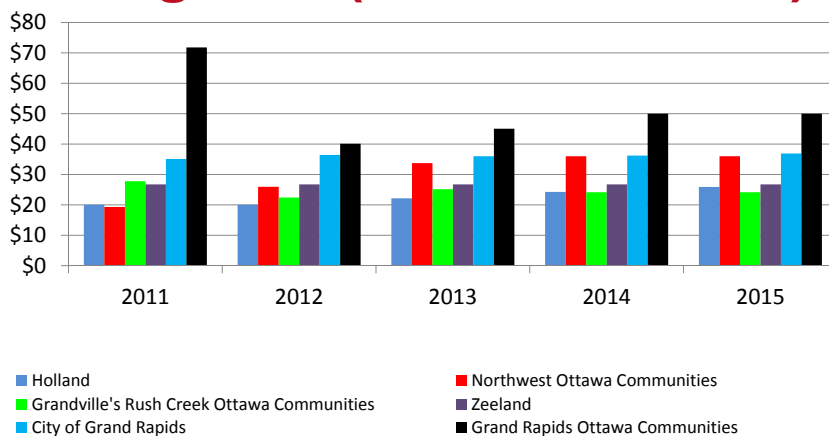
Wastewater Utility Summary

- Planned capital expenditures for next five years is \$34,907,875
- Planned sewer main work for the next five years is \$5,999,500
- Bond issue in the amount of approximately \$17 Million planned in FY 2015 for plant improvements
- Additional work needed to determine appropriate share of the bond responsibility between the retail and wholesale areas
- To meet this capital expenditure plan requires additional revenue to maintain minimum cash
- The revenue adjustments are insufficient to achieve targeted return on net plant

Summary
April 17, 2014



Wastewater Utility Residential Average Bill (5/8" meter 7 ccf)



Residential Average Bill
April 17, 2014



Administrative & General Capital Plan Review FY2015

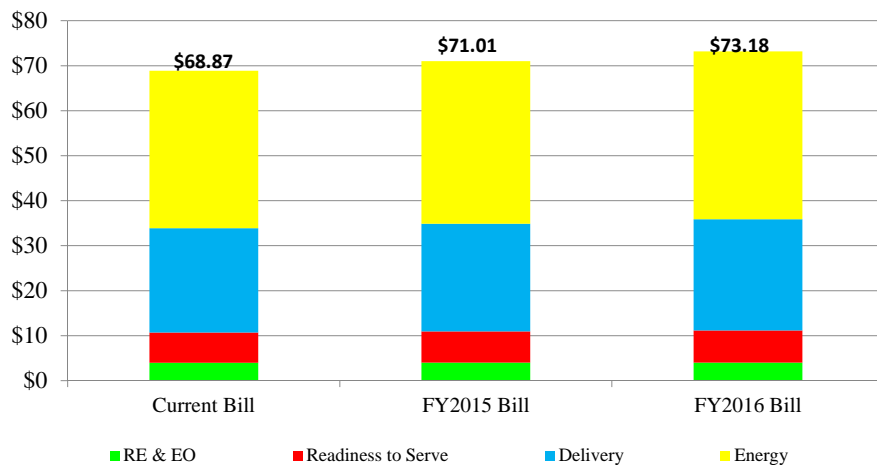
• AMI Advanced Metering	\$500,000
• MDM Meter Data Mgt	210,000
• Service Center Renovations/Signage	200,000
• Miscellaneous Equipment/Upgrades	113,000
• Replace vehicle #21	28,000
• Pipe, cable & marker locator & transmitter	8,000
• Replace Mower	6,500

Total **\$1,065,500**

Capital Plan Review FY2015
April 17, 2014

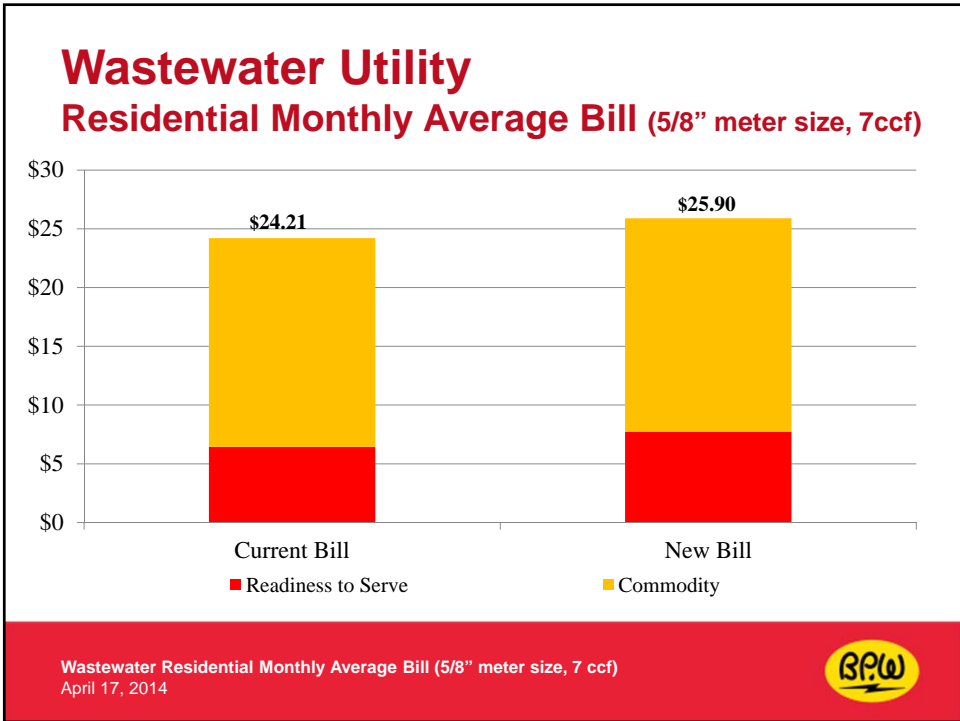
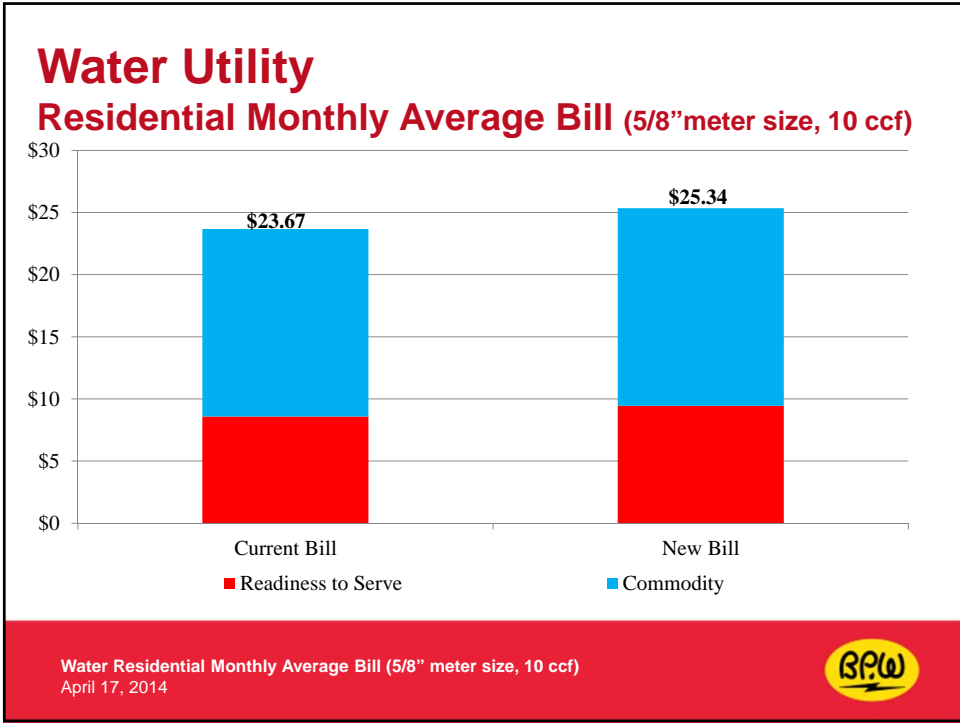


Electric Utility 3 Years Residential Monthly Average Bill (600 kwh)



Electric Residential Monthly Average Bill (600 kwh)
April 17, 2014





Electric, Water and Wastewater

Residential Monthly Average Bill			
Utility	Current Bill	New Bill	\$ Increase per month
Electric (600 kwh)	\$68.87	\$71.01	\$2.14*
Water (10 ccf)	\$23.67	\$25.34	\$1.67
Wastewater (7 ccf)	\$24.21	\$25.90	\$1.69
Total	\$116.75	\$122.25	\$5.50
Average cost per day	\$3.89	\$4.08	\$0.18
<i>*Electric was approved in FY2013</i>			

Residential Monthly Average Bill
April 17, 2014

