

SEPTEMBER 15, 2023

OFFICIAL NOTICE

OF A

REGULAR MONTHLY MEETING

The Kerrville Public Utility Board will hold its Regular Monthly Meeting on Wednesday, September 20, 2023, beginning at 8:30 a.m. The meeting will be held in the KPUB Conference Room at the Utility Board offices located at 2250 Memorial Blvd. The meeting site is accessible to handicapped persons. A copy of the agenda is attached to this notice.



Lidia S. Goldthorn, Assistant Secretary

AGENDA
KERRVILLE PUBLIC UTILITY BOARD
REGULAR MONTHLY MEETING
WEDNESDAY, SEPTEMBER 20, 2023, 8:30 A.M.
KPUB CONFERENCE ROOM
KERRVILLE PUBLIC UTILITY BOARD OFFICES
2250 MEMORIAL BLVD.
KERRVILLE, TEXAS

Pursuant to Chapter 551.127, Texas Government Code, one or more members of the Board of Directors or employees may attend this meeting remotely using videoconferencing technology. The video and audio feed of the videoconferencing equipment can be viewed and heard by the public at the address posted above as the location of the meeting.

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. CITIZEN/CONSUMER OPEN FORUM:

Members of the public may address the Board. Prior to speaking, each speaker must sign in with their name, address and the topic to be addressed. The Board may not discuss or take any action on an item not on the agenda but may place the issue on a future agenda. The number of speakers will be limited to the first ten speakers and each speaker is limited to four minutes.

4. ANNOUNCEMENTS OF COMMUNITY INTEREST:

Announcements of community interest, including expressions of thanks, congratulations, or condolences; information regarding holiday schedules; honorary recognition of KPUB officials, employees; reminders about upcoming events sponsored by KPUB. No action taken.

**Please note: Upcoming Board Meetings are tentatively scheduled for:*

- *Wednesday, October 18, 2023 at 8:30 a.m.,*
- *Wednesday, November 15, 2023 at 8:30 a.m., and*
- *Wednesday, December 20, 2023 at 8:30 a.m.*

5. CONSIDERATION AND ACTION ON ANNUAL FUNDING REQUEST FROM THE KERRVILLE ECONOMIC DEVELOPMENT CORPORATION (KEDC) – GIL SALINAS, COO:

6. CONSENT AGENDA:

These items are considered routine and can be approved in one motion unless a Board Member asks for separate consideration of an item. It is recommended that the Board approve the following items which will grant the General Manager to take all actions necessary for each approval:

- 6A. APPROVAL OF MINUTES – Approval of the September 06, 2023, Regular Monthly Board Meeting, and September 06, 2023, Special Called Board Meeting Minutes
- 6B. RESOLUTION NO. 23-13 – AMY DOZIER, DIRECTOR OF FINANCE. A Resolution approving payment to various providers of services or supplies
- 7. **FINANCIAL REPORT – AMY DOZIER, DIRECTOR OF FINANCE:**
- 8. **CONSIDERATION AND ACTION ON APPROVAL OF FY2024 ANNUAL SYSTEM BUDGET – AMY DOZIER, DIRECTOR OF FINANCE:**
- 9. **CONSIDERATION AND ACTION ON RESOLUTION NO. 23-14 – AMY DOZIER, DIRECTOR OF FINANCE:**
 Discussion and consideration of a Resolution approving and adopting the revision of the electric rates charged by KPUB to its residential customers
- 10. **CONSIDERATION AND ACTION ON RESOLUTION NO. 23-15 – AMY DOZIER, DIRECTOR OF FINANCE:**
 Discussion and consideration of a Resolution approving and adopting the revision of the electric rates charged by KPUB to its commercial customers
- 11. **MOTION TO VOTE AND RECESS THE PUBLIC MEETING AND RECONVENE IN AN EXECUTIVE CLOSED SESSION:**
 - I. **EXECUTIVE CLOSED SESSION – CONSULTATION WITH ATTORNEY:**
 In accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.071, the Kerrville Public Utility Board will recess for the purpose of “Consultation With Attorney” regarding the following matter:
 - A. Consultation with Attorney Regarding Pending or Contemplated Litigation – Mike Wittler, CEO
 - II. **EXECUTIVE CLOSED SESSION – COMPETITIVE MATTERS:**
 In accordance with Texas Statutes Subchapter D, chapter 551, Government Code Section §551.086, the Kerrville Public Utility Board will recess to discuss and take any necessary action on the following “Competitive Matters”:
 - A. Bidding and pricing information for purchased power, generation and fuel, and Electric Reliability Council of Texas bids, prices, offers, and related services and strategies; Risk management information, contracts, and strategies, including fuel hedging and storage;
 - (1) Discussion and Possible Action on Hedging Activities, ERCOT Activities and Wholesale Power Contracts – Mike Wittler, CEO

12. **CONSIDERATION AND ACTION AS A RESULT OF EXECUTIVE CLOSED SESSIONS:**
13. **PRESENTATION FROM AMERICAN PUBLIC POWER ASSOCIATION GOVERNANCE ESSENTIALS – MIKE WITTLER, CEO:**
14. **ADJOURNMENT**

MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

From: Mike Wittler

Date: September 15, 2023

Re: Item 5—Consideration and Action on Annual Funding Request
from the Kerrville Economic Development Corporation (KEDC)

As requested at our budget workshop two weeks ago, the history of KPUB funding to the Kerrville Economic Development Foundation and the Kerrville Economic Development Corporation is provided below:

Date	Reference	Amount
10/03/22	2023 CONTRIBUTION	62,500.00
10/19/21	2022 CONTRIBUTION	62,500.00
10/01/20	2021 CONTRIBUTION	39,500.00
10/07/19	2020 CONTRIBUTION	50,000.00
01/10/19	2019 CONTRIBUTION	24,500.00
08/24/17	2018 CONTRIBUTION	24,500.00
10/01/16	2017 CONTRIBUTION	24,500.00
11/05/15	2016 CONTRIBUTION	20,865.38
08/19/14	2015 CONTRIBUTION	16,250.00
09/12/13	2014 CONTRIBUTION	17,500.00
01/08/13	2013 CONTRIBUTION	14,500.00
10/03/11	2012 CONTRIBUTION	20,000.00
07/11/11	2011 CONTRIBUTION	25,000.00
08/18/10	2010 CONTRIBUTION	25,000.00
11/13/08	2009 CONTRIBUTION	20,000.00
01/18/08	2008 CONTRIBUTION	20,000.00
01/12/07	2007 CONTRIBUTION	20,000.00
01/13/06	2006 CONTRIBUTION	20,000.00

The contributions from 2006 through approximately 2010 were made to the Kerrville Economic Development Foundation (KEDF) which was replaced by the Kerrville Economic Development Corporation (KEDC) in approximately 2010-2011.

I am not familiar with the details of the KEDF and its budget. I reviewed budgets for KEDC from 2013 through 2024 and the changes that stand out the most are increases related to

payroll expenses, contract services, programs and events, and travel. The KEDC's staffing has changed over time starting with a director and administrative assistant, to contracted director and administrative support with staff COO, to the current arrangement with director, business development manager, and contracted administrative support. KEDC has also added the KerrEDC Top Forty, KerrEdge, and Business & Innovation Forum programs in recent years. Travel and meeting expenses have increased in recent years in large part due to work with the Governor's Office and recruitment in the aerospace industry. In addition to increased expenses in the budget, the percentage of the budget that the City, County and KEDC have contributed has increased over this time (while KEDC percentage has decreased).

KPUB is an important stakeholder for KEDC and I recommend that we continue to support the organization and that the Board approve the attached funding request.

Thanks,

A handwritten signature in black ink, appearing to read "Mike Wittler".

Mike Wittler, P.E.



July 26, 2023

Chairman Mark Cowden
Kerrville Public Utility Board
701 Main Street
Kerrville, TX 78028

RE: Funding Request for FY 23/24

Dear Mr. Cowden:

The Kerr Economic Development Corporation continues on its mission of fostering the economic growth of the greater Kerrville area through the support of local industry, recruitment of companies, creation and retention of quality jobs, expansion of capital investment and infusion of new tax dollars into our community.

Please consider this letter as our request for annual funding of the KEDC in the amount of \$68,750, a 10 percent increase from the previous two fiscal years.

Since our last budget request, the KEDC has worked on the following projects and programs for the Kerrville area:

- Completed our 5-Year Strategic Workforce & Talent Plan with TIP Strategies Consultants of Austin.
- Hosted Texas Workforce Commissioner Aaron Demerson, as his visit has resulted in the development of several workforce programs for local companies.
- Hosted Texas Workforce Commissioner Julian Alvarez and members of the Office of the Governor, which provided the KEDC with a lead for a project of significance for Kerrville.
- Initiated Project Mount Saddle with two investors listed in Forbes List of industrial giants in North America.
- Recognized by the Texas Economic Development Council with the Economic Development and Workforce Excellence Award. As a result of the accolade, the KEDC had the opportunity to work with Ernst & Young Site Selection Firm as they'll be showcasing Kerrville in a national marketing an social media platform.
- Supported Killdeer Mountain Manufacturing in the workforce and supply chain needs. The company has already hired more than 90 local employees, exceeding its goal of 50 employees by the end of 2023.
- Hosted the Second Annual KEDC Business & Innovation Forum 2022 at the Schreiner University, which drew more than 200 attendees. The event provided a series of entrepreneurial and leadership seminars as well as business networking opportunities.



FUNDING REQUEST

Page Two

- Convened a series of Quarterly Industry Roundtable discussions with Kerrville's top private employers, local leadership and educational partners.
- Initiated the Child Care Initiative with a working group of child care providers, city leadership, local workforce and the KEDC in response to the community's workforce challenges. The group worked on the following strategies:
 - Shared Services Alliance to support and promote the local care centers
 - Apprenticeship Program with local educational institutions for early childhood needs
 - Childcare Business Incubator for childcare business startups
 - Support KISD and Kroc Center in their expansion plans for day care facility
- Promoted Kerrville at the national and international level through editorial placement in such national publications as:
 - Business View Magazine
 - Business Facilities
 - Ernst & Young Media
 - Aviation Pros
 - Manufacturing Today
 - Aviation News
 - Site Selection Magazine
 - Austin Business Journal
 - San Antonio Business Journal
 - The Japan Times (Texas feature)

We appreciate your continued support in helping with the overall mission of growing and diversifying the economic base of the greater Kerrville area.

Sincerely,

A handwritten signature in black ink, appearing to read "Gilberto Salinas", is written over a light gray rectangular background.

Gilberto Salinas
Executive Director
Kerr Economic Development Corp.
1700 Sidney Baker, Ste. 100
Kerrville, Texas 78028

**MINUTES OF THE
KERRVILLE PUBLIC UTILITY BOARD
REGULAR MONTHLY MEETING
WEDNESDAY, SEPTEMBER 06, 2023, AT 8:30 A.M.
KPUB CONFERENCE ROOM
KERRVILLE PUBLIC UTILITY BOARD OFFICES
2250 MEMORIAL BLVD.
KERRVILLE, TEXAS**

TRUSTEES PRESENT:

Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

STAFF PRESENT:

Mike Wittler, General Manager and CEO
Amy Dozier, Director of Finance
Tammye Riley, Director of Operations
Allison Bueché, Director of Customer and Community Relations
Jill Cook, Accounting Supervisor
Lidia S. Goldthorn, Assistant Secretary to the Board

TRUSTEES ABSENT:

OTHERS PRESENT:

Stephen Schulte, Legal Counsel

1. CALL TO ORDER:

Mr. Mark Cowden, Chairman, called the Regular Monthly Meeting to order at 8:30 a.m.

2. PLEDGE OF ALLEGIANCE

3. CITIZEN/CONSUMER OPEN FORUM:

There were no citizens/consumers to speak.

4. ANNOUNCEMENTS OF COMMUNITY INTEREST:

Ms. Bueché highlighted Lineman Trey Owen as the staff spotlight for the month. Mr. Owen has been with KPUB for fifteen years. Cindy Hough retired with twenty-one years of service to KPUB. She highlighted volunteer participation in the monthly Food Pantry event; as well the upcoming Blood Drive on September 21st. The upcoming Public Power Week Events include a children's coloring contest, power hour & solar field tours, Ingram Tom Moore High School workplace Tour and Bucket Truck Ride Event on October 7th at Louise Hays Park. Other upcoming community support events include the Stock Show Fundraiser, Chamber Awards Banquet, Baubles & Beads Fundraiser and Habitat for Humanity Golf Tournament. Mr. Wittler noted the following upcoming board meetings tentatively scheduled for:

- *Wednesday, September 20, 2023 at 8:30 a.m.*
- *Wednesday, October 18, 2023 at 8:30 a.m.*
- *Wednesday, November 15, 2023 at 8:30 a.m.*
- *Wednesday, December 20, 2023 at 9:30 a.m.*

5. CONSENT AGENDA:

Glenn Andrew, Treasurer, made a motion to accept items in the consent agenda. Mayor Judy Eychner, seconded the motion. Vote was by a show of hands. Motion carried 5 – 0.

5A. APPROVAL OF MINUTES.

5B. RESOLUTION NO. 23-12 – AMY DOZIER, DIRECTOR OF FINANCE. A Resolution approving payment to various providers of services or supplies.

5C. JUNE 2023 QUARTERLY FUNDS REPORT – AMY DOZIER, DIRECTOR OF FINANCE. Acceptance of the June 2023, Quarterly Funds Report as presented to the Investment Committee following the July 26, 2023, Board Meeting.

END OF CONSENT AGENDA

6. FINANCIAL REPORT – AMY DOZIER, DIRECTOR OF FINANCE:

Ms. Dozier presented the financial statements for the month of July 2023. Ms. Dozier noted a \$343K increase in net position; \$3.1M in operating revenue; \$2.8M in operating expense; \$282K in operating income; \$6.7M in over collection power cost adjustment as of July 31, 2023; and \$34.0M invested in investment pools, and an investment account at Happy State Bank. She advised the investment account at Happy State Bank is completely liquid, fully collateralized, and earning 5.37% as of August 30, 2023. She added that rates on the investment pool accounts are 5.51% at LOGIC and 5.33% at TexPool as of August 30, 2023. The Power Cost Adjustment (PCA) was set at \$102.50 in November. On a YTD basis, actual power costs equate to a power cost adjustment factor of \$93.94. Management recommends keeping the PCA at \$102.50 for September due to ongoing price volatility and continued pending litigation. Ms. Dozier provided a power point presentation with the month’s highlights and financial metrics from her memo.

7. MOTION TO VOTE AND RECESS THE PUBLIC MEETING AND RECONVENE IN AN EXECUTIVE CLOSED SESSION:

I. EXECUTIVE CLOSED SESSION – CONSULTATION WITH ATTORNEY:

In accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.071, the Kerrville Public Utility Board will recess for the purpose of “Consultation With Attorney” regarding the following matter:

- A. Consultation with Attorney Regarding Pending or Contemplated Litigation – Mike Wittler, CEO

II. EXECUTIVE CLOSED SESSION – COMPETITIVE MATTERS:

In accordance with Texas Statutes Subchapter D, chapter 551, Government Code Section §551.086, the Kerrville Public Utility Board will recess to discuss and take any necessary action on the following “Competitive Matters”:

- A. Bidding and pricing information for purchased power, generation and fuel, and Electric Reliability Council of Texas bids, prices, offers, and related services and strategies; Risk management information, contracts, and strategies, including fuel hedging and storage;

- (1) Discussion and Possible Action on Hedging Activities, ERCOT Invoicing and Purchased Power Contracts – Mike Wittler, CEO

Larry Howard, Vice Chairman, made a motion that the Board convene in Executive Closed Session to discuss “Consultation With Attorney” in accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.071, and “Competitive Matters” in accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.086. Mr. Andrew, seconded the motion. Vote was by show of hands. Motion carried 5 – 0.

The Board entered Executive Closed Session at 8:50 a.m. Chairman Cowden adjourned the Executive Closed Session and reconvened into Open Session at 9:15 a.m.

8. CONSIDERATION AND ACTION AS A RESULT OF EXECUTIVE CLOSED SESSIONS:

No action taken by the Board.

9. ADJOURNMENT

Chairman Cowden adjourned the Regular Board Meeting at 9:15 a.m.

Date Approved: _____

Mark Cowden, Chairman

ATTEST

Lidia S. Goldthorn, Assistant Secretary to the Board

**MINUTES OF THE
KERRVILLE PUBLIC UTILITY BOARD
SPECIAL CALLED MEETING
WEDNESDAY, SEPTEMBER 06, 2023, AT 9:15 A.M.
KPUB CONFERENCE ROOM
KERRVILLE PUBLIC UTILITY BOARD OFFICES
2250 MEMORIAL BLVD.
KERRVILLE, TEXAS**

TRUSTEES PRESENT:

Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

STAFF PRESENT:

Mike Wittler, General Manager and CEO
Amy Dozier, Director of Finance
Tammye Riley, Director of Operations
Allison Bueché, Director of Customer and Community Relations
Jill Cook, Accounting Supervisor
Lidia S. Goldthorn, Assistant Secretary to the Board

TRUSTEES ABSENT:

OTHERS PRESENT:

1. CALL TO ORDER:

Mr. Mark Cowden, Chairman, called the Special Called Meeting to order at 9:15 a.m.

2. CONSIDERATION AND DISCUSSION OF FISCAL YEAR 2023 BUDGET:

Ms. Amy Dozier presented an overview of the Proposed FY2024 Budget to the Board. She went over the proposed budget summary, advising that operating revenue increase was due to a rate change for the customer charge and distribution portion of the bill offset by a decrease in purchased power expense due to low natural gas prices; and operating expense decrease due to lower purchased power costs offset by higher personnel and depreciation costs.

She went over Operating Revenues with the following budget assumptions: implementation of final rate changes recommended in 2018 Cost of Service study, which equates to a 2.0% increase for residential customers if no change in power supply portion of the rate; customer growth of 2.0% for residential and 1.5% for commercial; and neutral residential rate is lower due to lower natural gas prices. She highlighted the proposed rate change, advising the study recommended rate structure changes in 2019 and 2021; which aimed to better match rate to costs between customer type, cost components and fixed vs. variable costs. She presented a graph showing billed residential rate comparisons with 11 nearby utilities; showing KPUB's current rate is the lowest, and KPUB's current rate and forecasted future rates are lower than most current rates. Ms. Dozier also went over Operating Expenses showing purchased power represented 67% of expense; distribution, general and administrative, and customer service related expense account for 25% of operating expenses. She advised significant items in those categories include: 6.0% average merit increase, full staffing assumed; two new positions; re-budgeting \$221K for LCRA radio system; 16% increase in health insurance premiums; and enhanced safety, key accounts and education programs.

Ms. Dozier then went over Purchased Power Expense by Supplier. She advised KPUB purchases most of its power from CPS Energy (the new CPS Energy contract goes into effect in January 2024). Most of the CPS Energy charges are based on natural gas daily price and a heat rate that varies by month. NextEra and Community Solar is a fixed rate per MWh. Price stabilization activities involving renewable contracts and congestion revenue rights are factored into budget at approximately neutral. She advised the FY2024 budget uses natural gas futures as of August 14, 2023 to estimate power cost, and natural gas futures for FY2024 are 36.5% lower than predicted in August 2022. She added that other factors such as changes in CPS contract terms, fixed rate contracts and other costs mean that overall cost per kWh purchased is expected to fall by 7.0% compared to the FY2023 budget.

Ms. Dozier presented a Five-Year Forecast with the following assumptions: customer growth of 1.5%-2.0% per year; 5.5% rate increase in FY2026 (subject to change based on updated cost of service study in FY2025); 15% purchased power increase in FY2025 (5% in other years); 3% salary increase in FY2025-FY2028; interest income at 5.0% in FY2024 (decreasing by 0.25% each year after); and income is used to cash fund capital projects. Ms. Dozier also presented a Cash Flow Forecast, advising six-year total change in cash is a reduction of \$233K and that no new debt is assumed. Advance repayment (principal and interest) from City of Kerrville is a cash inflow of \$7.1M with capital spending being a cash outflow of \$34.2M. She advised numbers presented do not account for final payment related to Winter Storm Uri.

Ms. Dozier presented the payroll portion of the budget, which includes an average merit increase of 6.0%; two new positions and full staffing. She advised eight budgeted positions are currently vacant. The payroll budget is spread to many expense categories and approximately 20% is capitalized. She added that a 16% health insurance premium increase will start in January 2024.

Ms. Dozier went over the Capital Budget; which is viewed as a five-year forecast. The total capital budget for FY2024 consists of \$7.3M; with \$28.4M over the next five years. The budget assumes cash funding for all projects. She noted that the customer extensions line item represents the total price of a project. Capital contributions from customers are shown on the income statement, and offsets the cash expenditure. She noted that a portion of radio system upgrade (\$554K of \$762K) is being re-budgeted in FY2024. She advised the cost of the project has not changed, but will overlap fiscal years. Ms. Dozier added that the EV charging line item assumes \$800K for high speed stations in FY2024, with \$600K being reimbursed through a grant in FY2025. The actual grant reimbursement would be shown on the income statement. Mr. Wittler gave additional information regarding the grant and its requirements, advising that KPUB would need to apply for the grant, with staff starting to look for possible installation sites. Mr. Wittler also highlighted significant engineering projects designed for further reliability. Staff advised there would be minor tweaks to timing and amounts in the Capital Budget when the final numbers are presented on September 20th.

Mr. Wittler discussed KEDC's \$68,750 funding request for FY2024. Mr. Howard expressed concern regarding the amount of the request, funding request increases over the years, the amount of benefit that KEDC provides to KPUB, and if funding KEDC aligns with KPUB's mission. Mayor Eychner and Mr. Andrew spoke in support of KEDC. Mr. Wittler advised that the EIC, City, County and KPUB currently fund KEDC. In addition, the Chamber of Commerce provides in-kind support and the school district, CVB, and other businesses representatives hold positions on the KEDC Board. The Board plans to further discuss and vote on the request at their September 20, 2023 meeting.

No further discussion by the Board.

3. ADJOURNMENT

Chairman Cowden adjourned the Special Called Meeting at 10:33 a.m.

Date Approved: _____

Mark Cowden, Chairman

ATTEST

Lidia S. Goldthorn, Assistant Secretary to the Board

MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

From: Amy Dozier

Date: September 13, 2023

Re: Agenda Item No. 6B – Resolution No. 23-13

In accordance with Board Resolution No. 10-06 that requires monthly reporting of wire transfers exceeding \$20,000, this memo reports the following transfers between September 1, 2023 and September 13, 2023 for Board approval:

	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>	<u>Date</u>
Purchased Power:				
1	DG Solar	Community Solar-Annual Lease	25,942.69	09/12/2023
Payroll:				
1	Payroll	Pay period ending 08/26/2023	127,778.45	09/01/2023
2	Payroll Taxes	Pay period ending 08/26/2023	47,183.66	09/06/2023
Employee Benefits:				
1	TML	Health Insurance - September	79,961.97	09/01/2023
2	TMRS	Pension - August Payroll	73,408.80	09/05/2023
Investment Transfers (from Operating Account to Investment Account at Happy State Bank):				
1	Happy State Bank	Investment Transfer	400,000.00	09/01/2023
2	Happy State Bank	Investment Transfer	500,000.00	09/05/2023
3	Happy State Bank	Investment Transfer	500,000.00	09/08/2023
4	Happy State Bank	Investment Transfer	500,000.00	09/11/2023

I am happy to answer any questions regarding these transfers at your convenience.

Sincerely,



Amy Dozier
Director of Finance

RESOLUTION NO. 23-13

A RESOLUTION OF THE KERRVILLE PUBLIC UTILITY BOARD CONFIRMING AND AUTHORIZING THE PAYMENTS OF INVOICES AS APPROVED AND PRESENTED BY THE CHIEF FINANCIAL OFFICER AND GENERAL MANAGER / CEO.

WHEREAS, the providers of services or material have submitted invoices for payment;
and

WHEREAS, the Chief Financial Officer or General Manager/CEO has reviewed the invoices and approved payments for services rendered or material received.

WHEREAS, the items marked "Paid" have been previously approved by the Board and are included in this Resolution for information; now, therefore,

BE IT RESOLVED BY THE KERRVILLE PUBLIC UTILITY BOARD THAT:

Section 1. That the Kerrville Public Utility Board review payment of the items set forth on the preceding Schedule.

Section 2. That the Kerrville Public Utility Board instructs the General Manager/CEO or his designee to make said payments and ratifies the payment of the items marked "Paid."

Section 3. This Resolution shall take effect immediately from and after its passage.

PASSED, APPROVED AND ADOPTED on this 20th day of September, 2023

Mark Cowden, Chairman

ATTEST:

Bill Thomas, Secretary

MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

From: Amy Dozier

Date: September 13, 2023

Re: Agenda Item No. 7 – Financial Report

Attached please find financial statements for the month of August 2023.

Highlights include:

- **\$461K increase in net position** for the month, **\$2.2M increase** in net position on a year-to-date (YTD) basis, which is \$2.2M better than budget.
- **\$4.1M in operating revenue** for the month, **\$40.6M** on a YTD basis.
 - Through August, operating revenue is 9.6% lower than expected due to a combination of lower than forecast sales and purchased power price. Sales for the month of August were 11.4% higher than budget due to hot weather. However, on a year-to-date basis, kWh sales are 3.1% less than budget through August. With continued hot weather in September, we are expecting to end the fiscal year very close to kWh sales budget. The rest of the difference is due to lower than budgeted prices for purchased power. Since the largest component of our rate is based on actual power cost, lower than budgeted purchased power cost results in a lower rate and revenue that is lower than budget.
- **\$3.8M in operating expense** for the month, **\$39.0M** on a YTD basis.
 - YTD operating expense is 11.9% lower than budget due to lower than budgeted costs in all operating expense categories. The largest impact is lower than expected purchase power cost due to low natural gas prices and effective renewable hedges, especially during hot summer days when ERCOT real time market prices spike. Staffing vacancies, mutual aid deployments (New Smyrna Beach and CTEC), and radio purchases budgeted in FY2023 that will not occur until November 2023 are also contributing to the variance.
 - An accounting adjustment was recorded in August related to new rules on accounting for subscription-based information technology arrangements. The new guidance requires KPUB to capitalize and depreciate some arrangements that were previously recorded as operating expense. The adjustment decreased general and administrative expense and increased depreciation expense. In addition, a subscription liability is now recorded on the balance sheet.
- **\$390K in operating income** for the month, **\$1.6M in operating income** on a YTD basis.

- **\$8.4M in over collection of power cost adjustment** as of 8/31/2023, an **increase of \$1.7M** from the prior month.
- **\$36.5M invested** in investment pools and an investment account at Happy State Bank. The investment account at Happy State Bank is completely liquid, fully collateralized, and earning 5.385% as of September 13, 2023. Rates on the investment pool accounts are 5.50% at LOGIC and 5.31% at TexPool as of September 13, 2023.

The Power Cost Adjustment (PCA) was set at \$102.50 in November 2022. On a YTD basis, actual power costs equate to a neutral power cost adjustment factor of \$91.39. Management recommends keeping the PCA at \$102.50 for October, but lowering the power cost adjustment factor in November 2023. This will be discussed further with the rate change resolution items later in the meeting.

Sincerely,

A handwritten signature in black ink that reads "Amy Dozier". The signature is written in a cursive, slightly slanted style.

Amy Dozier
Director of Finance

Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended August 31, 2023
(Unaudited)

	Comparison to Budget				Comparison to Last Year		
	Current Month	Current Month Budget Amount	Variance Favorable (Unfavorable)	Percentage Variance	Current Month Last Year Amount	Variance Favorable (Unfavorable)	Percentage Variance
OPERATING REVENUES:							
Residential	\$ 2,445,050	\$ 2,866,585	\$ (421,535)	-14.71%	\$ 2,126,752	\$ 318,298	14.97%
Commercial/Industrial	1,626,945	2,093,860	(466,914)	-22.30%	1,471,641	155,305	10.55%
Sales to Public Authorities	21,642	21,500	142	0.66%	21,557	86	0.40%
Other	46,751	41,620	5,131	12.33%	41,246	5,504	13.34%
TOTAL OPERATING REVENUES	4,140,389	5,023,564	(883,176)	-17.58%	3,661,197	479,192	13.09%
OPERATING EXPENSES:							
Purchased Power	2,634,687	3,630,181	995,494	27.42%	2,178,240	(456,447)	-20.95%
Distribution	305,052	377,011	71,959	19.09%	289,939	(15,113)	-5.21%
Customer Accounts	46,682	65,690	19,008	28.94%	45,303	(1,379)	-3.04%
Customer Service, Informational & Sales	28,764	35,724	6,960	19.48%	40,261	11,497	28.56%
Administrative Expenses	120,663	399,804	279,140	69.82%	328,150	207,487	63.23%
Depreciation & Amortization	614,172	327,384	(286,788)	-87.60%	315,028	(299,144)	-94.96%
TOTAL OPERATING EXPENSES	3,750,020	4,835,794	1,085,773	22.45%	3,196,921	(553,099)	-17.30%
OPERATING INCOME (LOSS)	390,368	187,771	202,597	107.90%	464,275	(73,907)	-15.92%
NONOPERATING REVENUES (EXP):							
Interest Income - Investments	165,782	18,750	147,032	784.17%	62,616	103,166	164.76%
Interest Income - City of Kerrville	12,857	12,857	(0)	0.00%	15,000	(2,143)	-14.29%
Interest Expense	(17,207)	(9,986)	(7,221)	72.31%	(9,618)	(7,589)	78.90%
City of Kerrville - General Fund Transfer	(135,014)	(151,269)	16,256	-10.75%	(111,714)	(23,300)	20.86%
City of Ingram - Franchise Fee	(4,158)	(4,340)	182	-4.19%	(3,608)	(550)	15.25%
Other - Net	6,936	2,667	4,269	160.09%	2,313	4,623	199.91%
TOTAL NONOPERATING REVENUES (EXP)	29,196	(131,322)	160,518	-122.23%	(45,012)	74,208	-164.86%
INCOME BEFORE CONTRIBUTIONS	419,564	56,449	363,115	-643.26%	419,264	301	0.07%
CAPITAL CONTRIBUTIONS	41,362	25,000	16,362	65.45%	64,891	(23,528)	-36.26%
CHANGE IN NET POSITION	\$ 460,926	\$ 81,449	\$ 379,477	465.91%	\$ 484,154	\$ (23,228)	4.80%
NET POSITION AT BEGINNING OF MONTH	\$ 75,705,700				\$ 73,585,909		
NET POSITION AT END OF MONTH	\$ 76,166,627				\$ 74,070,063		

Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended August 31, 2023
(Unaudited)

	Comparison to Budget				Comparison to Last Year		
	Year to Date	Year to Date	Variance	Percentage Variance	Year to Date Last Year Amount	Variance	Percentage Variance
		Budget Amount	Favorable (Unfavorable)			Favorable (Unfavorable)	
OPERATING REVENUES:							
Residential	\$ 23,042,798	\$ 25,295,954	\$ (2,253,157)	-8.91%	\$ 23,378,788	\$ (335,990)	-1.44%
Commercial/Industrial	16,681,908	18,823,935	(2,142,027)	-11.38%	16,688,246	(6,338)	-0.04%
Sales to Public Authorities	235,652	236,500	(848)	-0.36%	237,250	(1,598)	-0.67%
Other	661,863	579,775	82,089	14.16%	640,891	20,972	3.27%
TOTAL OPERATING REVENUES	40,622,221	44,936,164	(4,313,943)	-9.60%	40,945,175	(322,954)	-0.79%
OPERATING EXPENSES:							
Purchased Power	27,393,304	31,177,995	3,784,691	12.14%	27,220,155	(173,150)	-0.64%
Distribution	3,202,015	4,072,667	870,652	21.38%	3,229,185	27,170	0.84%
Customer Accounts	564,518	689,078	124,560	18.08%	527,887	(36,631)	-6.94%
Customer Service, Informational & Sales	293,616	386,162	92,546	23.97%	284,099	(9,517)	-3.35%
Administrative Expenses	3,720,711	4,407,309	686,598	15.58%	3,687,774	(32,938)	-0.89%
Depreciation & Amortization	3,843,680	3,572,086	(271,593)	-7.60%	3,421,364	(422,316)	-12.34%
TOTAL OPERATING EXPENSES	39,017,845	44,305,299	5,287,454	11.93%	38,370,464	(647,381)	-1.69%
OPERATING INCOME (LOSS)	1,604,376	630,865	973,511	154.31%	2,574,711	(970,335)	-37.69%
NONOPERATING REVENUES (EXP):							
Interest Income - Investments	1,408,194	456,250	951,944	208.65%	226,128	1,182,066	522.74%
Interest Income - City of Kerrville	156,429	156,428	0	0.00%	165,000	(8,571)	-5.19%
Interest Expense	(108,941)	(109,270)	329	-0.30%	(107,348)	(1,592)	1.48%
City of Kerrville - General Fund Transfer	(1,266,741)	(1,361,772)	95,031	-6.98%	(1,235,139)	(31,602)	2.56%
City of Ingram - Franchise Fee	(32,536)	(38,601)	6,065	-15.71%	(31,717)	(819)	2.58%
Other - Net	37,864	29,333	8,530	29.08%	29,467	8,397	28.50%
TOTAL NONOPERATING REVENUES (EXP)	194,269	(867,631)	1,061,900	-122.39%	(953,610)	1,147,879	-120.37%
INCOME BEFORE CONTRIBUTIONS	1,798,645	(236,766)	2,035,411	-859.67%	1,621,101	177,544	10.95%
CAPITAL CONTRIBUTIONS	394,280	275,000	119,280	43.37%	338,628	55,652	16.43%
CHANGE IN NET POSITION	\$ 2,192,925	\$ 38,234	\$ 2,154,691	5635.54%	1,959,728	\$ 233,196	11.90%
NET POSITION AT BEGINNING OF YEAR	\$ 73,973,702				\$ 72,110,335		
NET POSITION AT END OF MONTH	\$ 76,166,627				\$ 74,070,063		

Kerrville Public Utility Board
Balance Sheet
As of August 31, 2023

Assets and Deferred Outflows	August 31, 2023 (Unaudited)		September 30, 2022	Net Position, Liabilities and Deferred Inflows	August 31, 2023 (Unaudited)		September 30, 2022
Utility Plant:							
Utility Plant in Service	\$	99,634,414	\$ 93,982,686	Total Net Position	\$	76,166,627	\$ 73,973,702
Less: Accumulated Depreciation		(49,073,066)	(46,827,910)				
Net Utility Plant in Service		50,561,348	47,154,776				
Construction Work in Progress		1,581,847	1,834,762	Liabilities:			
Total Utility Plant		52,143,195	48,989,538	Current Liabilities:			
Restricted and Noncurrent Assets:				Current Maturities of Long-Term Liabilities	449,108	437,108	
Customer Deposits	509,484	463,149		Accrued Interest Payable	36,112	48,046	
Interest and Sinking Fund	396,089	434,802		Accounts Payable - Purchased Power	11,229,610	10,817,424	
Emergency, Repair, Replace, Contingency Fund	3,743,986	3,585,091		Accounts Payable - Other	976,039	1,369,794	
Advance to City of Kerrville, net of current portion	5,357,143	6,428,572		Over Collection of Power Cost Adjustment	8,408,306	3,846,149	
Net Pension Asset	677,020	677,020		Total Current Liabilities	21,099,175	16,518,522	
Total Restricted and Noncurrent Assets	10,683,723	11,588,634		Noncurrent Liabilities:			
Current Assets:				2013 Revenue Bonds, net of current portion	2,413,000	2,847,000	
Revenue Fund:				Lease Liability	187,341	108,000	
Cash and Cash Equivalents	670,259	606,004		Subscription Liability	868,654	-	
Investments	26,474,913	23,084,450		Customer Deposits	509,484	463,149	
Less: Customer Deposits	(509,484)	(463,149)		Interest on Customer Deposits	4,749	2,437	
Total Revenue Fund	26,635,687	23,227,305		Total OPEB Liability	382,619	382,619	
Construction Fund:				Total Long-Term Liabilities	4,365,847	3,803,205	
Cash and Cash Equivalents	5,365	5,135		Total Liabilities	25,465,022	20,321,726	
Investments	1,521,560	1,456,985		Deferred Inflows of Resources - Pension & OPEB	2,044,144	2,044,144	
Total Construction Fund	1,526,925	1,462,120					
Rate Stabilization Fund:							
Investments	2,002,368	1,917,388					
Total Rate Stabilization Fund	2,002,368	1,917,388					
Long Term Rate Stabilization Fund:							
Investments	2,410,435	1,094,339					
Total Rate Stabilization Fund	2,410,435	1,094,339					
Customer Accounts Receivable, net of allowance	4,200,514	4,055,633					
Current Portion - Advance to City of Kerrville	1,071,428	1,071,428					
Materials and Supplies	1,224,505	1,135,750					
Other	875,242	895,666					
Total Current Assets	39,947,105	34,859,629					
Deferred Outflow of Resources - Pension & OPEB	901,771	901,771					
Total Assets and Deferred Outflows	\$ 103,675,793	\$ 96,339,572		Total Net Position, Liabilities and Deferred Inflows	\$ 103,675,793	\$ 96,339,572	

Kerrville Public Utility Board
Invested Funds Detail
For the Month Ended August 31, 2023

	Date	Revenue Fund	Restricted						Total Funds Invested
			Construction Fund	Rate Stabilization Fund	Long Term Rate Stabilization Fund	Debt Reserve Fund	Interest & Sinking Fund	Emergency Repair, Replacement & Contingency	
Beginning Fund Balance		\$ 24,650,386	\$ 1,514,618	\$ 1,993,232	\$ 1,780,151	\$ -	\$ 351,317	\$ 3,726,903	\$ 34,016,607
Withdrawals:									
Happy Investment - TML	08/01/23	(75,692)							(75,692)
Happy Investment - TMRS	08/04/23	(73,039)							(73,039)
Happy Investment - ERCOT	08/08/23	(42)							(42)
Happy Investment - ERCOT	08/10/23	(20)							(20)
Happy Investment - ERCOT	08/16/23	(123)							(123)
Happy Investment - NextEra	08/18/23	(485,088)							(485,088)
Happy Investment - CPS	08/21/23	(1,477,223)							(1,477,223)
Happy Investment - DG Solar	08/22/23	(76,824)							(76,824)
Happy Investment - ERCOT	08/22/23	(38,145)							(38,145)
Happy Investment - Engie	08/28/23	(112,391)							(112,391)
Happy Investment - LCRA	08/31/23	(641,771)							(641,771)
Investments:									
Happy Investment	08/01/23	600,000							600,000
Happy Investment	08/04/23	300,000							300,000
Happy Investment	08/07/23	500,000							500,000
Happy Investment	08/11/23	500,000							500,000
Happy Investment	08/14/23	400,000							400,000
Happy Investment	08/21/23	1,200,000							1,200,000
Happy Investment	08/25/23	700,000							700,000
Happy Investment	08/28/23	600,000							600,000
Happy Investment	08/31/23	550,000							550,000
Fund Balance after Withdrawals & Investments		27,020,029	1,514,618	1,993,232	1,780,151	-	351,317	3,726,903	36,386,250
Allocation of:									
Interest Income	08/31/23	117,325	6,942	9,136	10,998	-	1,617	17,083	163,102
Total Interest Allocation		117,325	6,942	9,136	10,998	-	1,617	17,083	163,102
Fund Balance After Allocations		27,137,354	1,521,560	2,002,368	1,791,149	-	352,934	3,743,986	36,549,351
Interfund Transfers :									
Debt Service	08/31/23	(43,156)					43,156		-
COK Advance Repayment	08/01/23	(619,286)			619,286				-
Ending Fund Balance		\$ 26,474,913	\$ 1,521,560	\$ 2,002,368	\$ 2,410,435	\$ -	\$ 396,089	\$ 3,743,986	\$ 36,549,351

Kerrville Public Utility Board
 Computation of the Monthly and Annual Debt Service Coverage
 For the Month Ended August 31,2023

Description	Current Month	Fiscal Year	Previous 12 Months
CHANGE IN NET POSITION	\$ 460,926	\$ 2,192,925	\$ 2,082,821
PLUS:			
Interest Expense (net of amortizations)	17,207	108,941	122,038
Depreciation & Amortization Expense	614,172	3,843,680	4,176,650
Numerator	<u>1,092,306</u>	<u>6,145,545</u>	<u>6,381,509</u>
DIVIDED BY:			
Interest Expense (net of amortizations)	17,207	108,941	122,038
Principal Payment Due	36,167	396,833	432,000
Denominator	<u>\$ 53,374</u>	<u>\$ 505,774</u>	<u>\$ 554,038</u>
DEBT SERVICE COVERAGE RATIO	<u>20.47</u>	<u>12.15</u>	<u>11.52</u>

Minimum Requirement per Bond Covenant	1.35	times Debt Service
Minimum Requirement Established by KPUB Board for Good Business Practices	1.65	times Debt Service

MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

From: Amy Dozier

Date: September 13, 2023

Re: Agenda Item No. 8 – FY2024 Budget

Management hereby submits the following FY2024 Annual Budget for approval.

Budget highlights include:

- \$49.7 million in operating revenues, up 0.7% from the FY2023 Budget
- \$32.6 million for purchased power expense, down 4.4% from the FY2023 Budget
- \$48.6 million in operating expenses, down 0.6% from the FY2023 Budget
- \$1.6 million increase in net position
- The budget includes the rate adjustment recommended by UFS for FY2021 and lower power costs due to lower natural gas futures prices
- Operating expense increases include an average 6% merit increase for KPUB employees, and two new employees (lineman and substation lineman)
- The capital budget includes \$800 thousand for a DC fast charging station for electric vehicles. This project will proceed if KPUB receives a grant from TxDOT that would reimburse \$600 thousand of the expense in FY2025. In addition, the Capital Budget contains \$4.1 million in line construction and \$554 thousand to complete the radio system upgrade at the Hunt Substation.

Since the Budget Workshop on September 6, 2023, the following changes have been made:

- Changes in estimates and timing for these capital projects: Furman - new feeder to reduce Harper load, Barker express feed, single to three phase conversion (HR30 & ST60), new substation exit circuits, and aerial imagery update. In total, the 5 years Capital Budget has been reduced by \$87 thousand, from \$28.4 million to \$28.3 million.
- Changes to interest income, transfer to the City of Kerrville, total nonoperating revenues, income before contributions, and change in net position based on recalculated cash balances following the Capital Budget changes.
- Updates to FY2023 estimate numbers based on actual financial information through August 31, 2023.
- Changes to ending balances, ratios and change percentages based on the aforementioned changes.

Note that the budget being adopted covers the period from October 1, 2023 to September 30, 2024. Five-year projections are presented for information and discussion purposes only.

Sincerely,

A handwritten signature in black ink that reads "Amy Dozier". The signature is written in a cursive style and is placed on a light gray rectangular background.

Amy Dozier
Director of Finance



**Fiscal Year 2024
Proposed Budget
September 20, 2023**



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BUDGET MESSAGE



GENERAL MANAGER & CEO MESSAGE

September 6, 2023

Dear Kerrville Public Utility Board Members,

In accordance with Board Policy 49, attached please find my submission of KPUB's Fiscal Year 2024 (FY2024) proposed budget.

The proposed budget reflects KPUB's mission to be a responsive and efficient, locally-owned provider of reliable, high-quality utility service at the lowest responsible price.

The budget was prepared over several months using input from staff, outside experts and extensive research on items ranging from energy futures to economic forecasts to construction in Kerrville.

FY2023 was a productive and rewarding year. Significant accomplishments include:

- Signing an extension of our power supply contract with CPS Energy through 12/31/2026
- Multiple awards, including national awards from APPA for safety, communications and community service, a certificate of achievement for excellence in financial reporting and the Kerrville Kindness award from Kerrville City Council for our mutual aid efforts
- Multiple internal promotions, including three promotions from apprentice lineman to lineman, a promotion from lineman to crew leader and a promotion from crew leader to a newly created safety coordinator position
- KPUB's general manager was elected President of Texas Public Power Association
- Mutual aid deployments to New Smyrna Beach, FL and Central Texas Electric Cooperative's (CTEC) service area
- Completing significant facility remodel projects on main offices and warehouse
- Implementing new technology that will allow customer service representatives to take credit card payments over the phone while remaining compliant with payment card industry standards
- Radio system upgrade project that will be completed in November 2023
- Completing many system improvement projects, including customer line extensions and most of an underground project at Clay St
- Adopting a new line extension policy
- Significant progress on a multi-year pole inspection and replacement project
- Celebrating KPUB's 35th anniversary
- Achieving 2+ years without a lost-time work injury

FY2024 looks to be just as significant with the following items planned:

- Implementation of rate adjustments according to the final phase recommended in the 2018 Cost of Service study
- Implementation of a customer-focused key accounts program
- Implementation of an enhanced education program for local schools
- Relaunch of KPUB's energy audit program that will include a new online audit tool



- Completion of radio system upgrade
- Completion of multiple construction projects, including completing a line underbuild project at the Harper substation, a single phase to three phase conversion project and a public safety reliability project
- Aerial imagery updates to enhance GIS mapping functionality
- Completion of the pole inspection and replacement project backlog, with a move to ongoing maintenance in FY2025
- Wire barn weatherization improvements, including an enclosed tool room and covered parking for on-call vehicles and equipment

In addition, attracting and retaining staff in a very competitive market continues to be a priority for KPUB. Accordingly, the budget presented includes an average 6.0% average merit increase and two new positions in operations (lineman and substation lineman). The new positions will provide additional operational support for system maintenance and address succession planning and upcoming retirements in that department. We anticipate keeping employee benefit levels the same, but expect to see health insurance premiums increase 16% in January 2024.

Despite rising prices and significant supply chain issues, KPUB's financial position is strong. Our rates remain lower than other utilities in our region. Lower natural gas prices combined with our diversified and long-term power purchase strategy will allow us to implement rate changes between rate categories (power cost, distribution, customer charge), while maintaining our overall rate of \$102.50 for 1,000 kWh of residential power, thereby minimizing the impact on our customers. In addition, our financial metrics continue to be in line with or better than APPA metrics for utilities of similar size or in a similar area (see page 11).

As required by policy, the attached pages present summary and detailed information regarding our operating and capital budget for FY2024. In addition, five-year forecast information is less certain, but presented for planning and discussion purposes. The five-year forecast calls for a positive change in net position in four of the next five years. Based on our projections, this allows KPUB to cash fund \$28 million in capital projects over that period. It is important to note that the five-year forecast does not include any additional financial impact from Winter Storm Uri. However, the final financial impact remains unknown, contingent on the outcome of litigation between KPUB's main power supplier and third parties.

The FY2024 proposed budget reflects fiscal discipline and continued focus on our mission. The budget provides the resources to accomplish significant projects while maintaining current service levels and comparatively low rates. As always, I look forward to the board's input and strategic guidance during the coming fiscal year.

Regards,

Mike Wittler, P.E.
General Manager and CEO

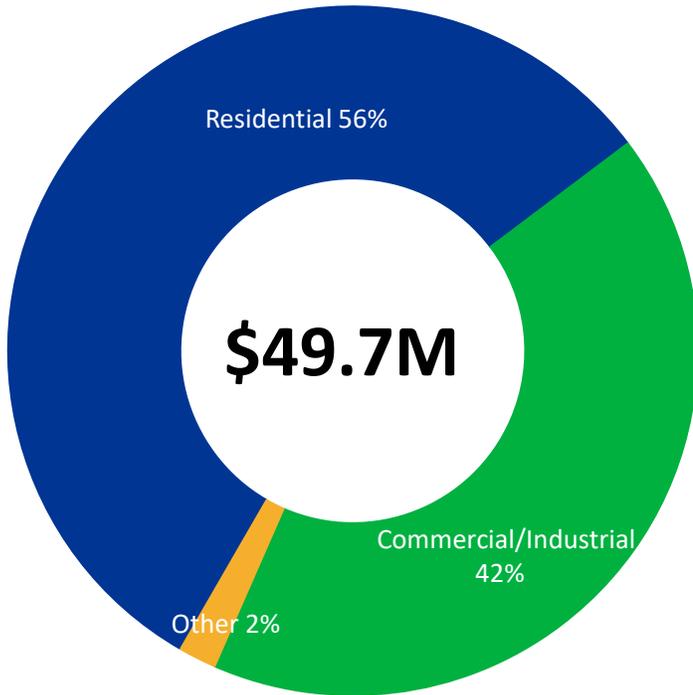


OPERATING BUDGET



BUDGET SUMMARY

KPUB's FY2024 proposed budget projects operating revenues of \$49.7M and operating expenses of \$48.6M. After adjustments for nonoperating items, the budget results in a \$1.5M increase in net position.



OPERATING REVENUES - \$49.7M

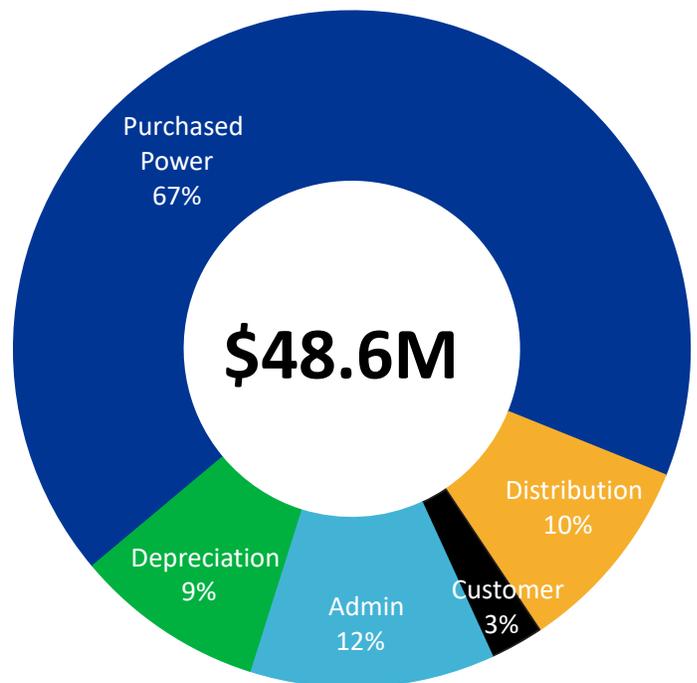
FY2024 operating revenues are projected to be 0.7% higher than the FY2023 budget due to customer growth and a rate change impacting the customer charge and distribution charge portion of the rate, offset by lower purchased power costs that reduce the power cost portion of the rate. These changes net to make budgeted revenues very close to revenues budgeted in FY2023.

Operating revenues are projected to be 10.3% higher than estimated FY2023 revenues. The increase is due to a combination of increased kWh due to customer growth and implementation of a rate change recommended in the 2018 Cost of Service study.

OPERATING EXPENSES - \$48.6M

FY2024 operating expenses are projected to be 0.6% lower than the FY2023 budget due to lower purchased power costs offset by increases in other categories, primarily due to an average 6.0% merit increase for employees, two new lineman positions and full staffing in 6 other currently vacant positions.

Operating expenses are projected to increase by 11.4% compared to estimated FY2023 expenses. The increase is driven by a 7.5% increase in purchased power due primarily to an increase in kWh's purchased. Other operating expense categories have increases primarily due to full staffing, two new lineman positions, an average 6.0% merit increase for employees, and a new radio system that was approved in FY2023, but will be paid for in FY2024.





Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
FY2024 Budget

	FY2024 Budget	FY2023 Budget	% change	FY2023 Estimate	% change
OPERATING REVENUES:					
Residential	\$ 27,653,932	\$ 27,841,338	-0.7%	\$ 25,588,182	8.1%
Commercial/Industrial	21,117,660	20,672,290	2.2%	18,530,263	14.0%
Sales to Public Authorities	258,000	258,000	0.0%	257,152	0.3%
Other	695,500	619,701	12.2%	701,789	-0.9%
TOTAL OPERATING REVENUES	49,725,092	49,391,329	0.7%	45,077,386	10.3%
OPERATING EXPENSES:					
Purchased Power	32,631,482	34,134,413	-4.4%	30,349,722	7.5%
Distribution	4,624,074	4,451,024	3.9%	3,580,372	29.2%
Customer Accounts	798,028	755,007	5.7%	630,447	26.6%
Customer Service, Informational & Sales	442,992	422,076	5.0%	329,529	34.4%
Administrative Expenses	5,689,084	5,182,799	9.8%	4,496,201	26.5%
Depreciation	4,372,411	3,900,000	12.1%	4,194,680	4.2%
TOTAL OPERATING EXPENSES	48,558,071	48,845,318	-0.6%	43,580,951	11.4%
OPERATING INCOME (LOSS)	1,167,021	546,010	113.7%	1,496,435	-22.0%
NONOPERATING REVENUES (EXPENSES):					
Interest Income - Investments	1,625,000	475,000	242.1%	1,568,194	3.6%
Interest Income - City of Kerrville	143,571	169,285	-15.2%	169,285	-15.2%
Interest Expense - Debt	(91,014)	(114,256)	-20.3%	(108,025)	-15.7%
Interest Expense - Customer Deposits	(6,000)	(5,000)	20.0%	(3,815)	57.3%
City of Kerrville - General Fund Transfer	(1,545,680)	(1,495,990)	3.3%	(1,405,627)	10.0%
City of Ingram - Franchise Fee	(42,801)	(42,445)	0.8%	(35,778)	19.6%
Other - Net	29,000	32,000	-9.4%	39,363	-26.3%
TOTAL NONOPERATING REVENUES (EXP)	112,077	(981,405)	111.4%	223,598	-49.9%
INCOME BEFORE CONTRIBUTIONS	1,279,098	(435,395)	393.8%	1,720,032	-25.6%
CAPITAL CONTRIBUTIONS	360,000	300,000	20.0%	419,280	-14.1%
CHANGE IN NET POSITION	\$ 1,639,098	\$ (135,395)	1310.6%	\$ 2,139,312	-23.4%
NET POSITION AT BEGINNING OF YEAR	\$ 76,113,014	\$ 73,973,702		\$ 73,973,702	
NET POSITION AT END OF YEAR	\$ 77,752,111	\$ 73,838,307		\$ 76,113,014	



Kerrville Public Utility Board
Budget Highlights
FY2024 Budget

Operating Revenues

- * Assumes rate change in November 2023. Billed residential rate will remain at \$102.50 for 1,000 kWh.
- * Customer growth of 2.0% for Residential and 1.5% for Commercial.
- * Small increase in historical per customer usage.
- * Budgeted neutral residential cost of \$95.89 per 1,000 kWh.
- * KPUB's rate is currently lower than 11 other area utilities.

Purchased Power

- * kWh's purchased are 2.8% higher than FY2023 budget, but expense is down 4.4% due to lower natural gas prices.
- * Natural gas pricing based on natural gas futures as of August 14, 2023.
- * Renewable hedges assumed to be a net expense reduction of \$25K.
- * Pricing based on terms of new CPS Energy contract beginning in January 2024.
- * No Tier 2 pricing assumed.

Other Operating Expenses

- * Assumes full staffing and an average 6.0% merit increase. Actual salary adjustments will be based on individual performance and may be lower or higher than the budgeted average.
- * 63 full-time employees, 1 part-time intern.
- * 56 full-time employees as of August 2023.
- * Includes 2 new positions:
 - Substation Lineman
 - Lineman
- * Hiring in FY2024 will include:
 - HR Assistant (8 months) - this position was included in the FY2023 Budget
 - Lineman (12 months) - this position was included in the FY2023 Budget
 - Lineman (8 months) - NEW IN FY2024
 - Substation Lineman (12 months) - NEW IN FY2024
 - IT Supervisor (12 months) - this position was included for 6 months in FY2023 Budget
 - Director of Engineering (8 months) - this position was included in the FY2023 Budget
 - Supervisor of Engineering (8 months) - this position was included in the FY2023 Budget
- * 3 positions were included in the FY2023 Budget for a partial year, but are in FY2024 for a full year:
 - Safety & Training Coordinator - 6 months in FY2023, 12 months in FY2024
 - Key Accounts Specialist - 9 months in FY2023, 12 months in FY2024
 - IT Supervisor - 6 months in FY2023, 12 months in FY2024
- * 16% monthly premium increase for health insurance benefits starting in January 2024.
- * \$221K for new radios rebudgeted for FY2024 because they will not arrive until November 2023.

Nonoperating Revenues and Expenses

- * Interest income at 5.0%.
- * City of Kerrville transfer is 3% of gross revenues.
- * City of Ingram franchise fee is 2% of Ingram revenues.



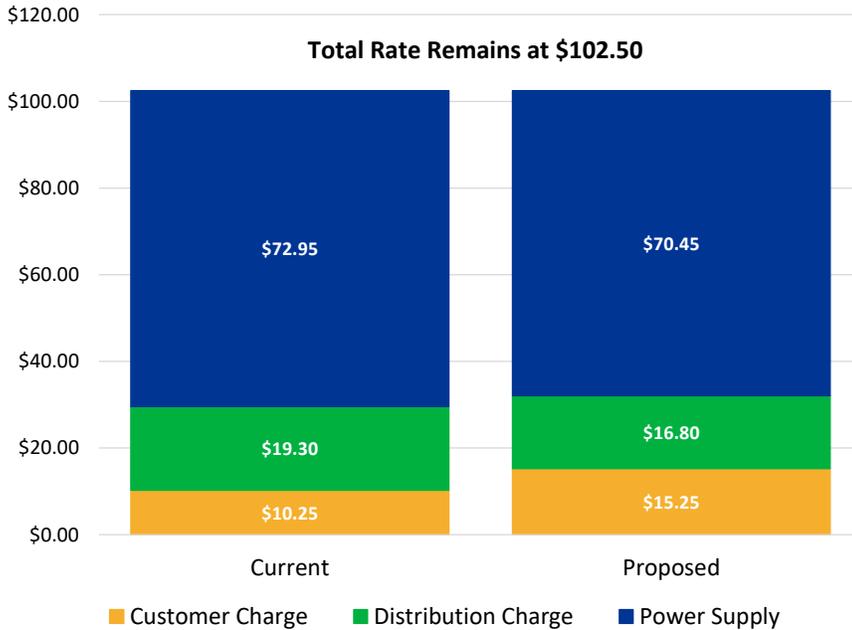
Kerrville Public Utility Board
Industry Comparison Metrics
FY2024 Budget

	KPUB FY2023 Estimate	KPUB FY2024 Budget	APPA - 20,000 to 50,000 customers (2023 report based on 2021 data)	APPA - Southwest (2023 report based on 2021 data)	APPA - No Generation (2023 report based on 2021 data)
1 Operating Ratio (Op Expense / Op Revenue)	0.874	0.889	0.843	0.812	0.882
2 O&M per kWh sales	\$ 0.078	\$ 0.085	\$ 0.086	\$ 0.076	\$ 0.085
3 O&M per customer	\$ 376.76	\$ 472.76	\$ 567.00	\$ 600.00	n/a
4 Distribution per customer	\$ 149.28	\$ 189.20	\$ 191.00	\$ 153.00	n/a
5 Customer Accts, Service, Sales per customer	\$ 40.02	\$ 50.78	\$ 71.00	\$ 58.00	n/a
6 Administrative & General per customer	\$ 187.46	\$ 232.78	\$ 168.00	\$ 183.00	n/a
7 Capital Expenditures to depreciation expense	1.45	1.67	1.20	1.04	1.23

	KPUB FY2024 Budget	APPA - 2021 Public Power Average	APPA - 2021 Cooperative Average	APPA 2021 Investor- Owned Utility Average
8 Residential Rate per 1,000 kWh usage	\$102.50	\$123.63	\$121.00	\$138.99



Billed Rate Change for 1,000 kWh - Residential



RATE CHANGE

The FY2024 budget proposes changing the rates in accordance with recommendations proposed in the 2018 Cost of Service study. The Cost of Service study proposed better matching rates with costs between customer types, cost components and fixed vs. variable costs. The rate change is proposed to take effect in November 2023. However, because the power supply portion of the rate is falling due to lower natural gas prices, the overall billed residential rate for 1,000 kWh will remain at \$102.50.

RATE COMPARISON

This chart compares KPUB's billed residential rate to eleven other area utilities as of July 2023. KPUB's current rate is the lowest reported. In addition to the current rate, the green bars show KPUB's forecast for billed rates through 2028. Note that KPUB's forecast for a \$121.00 rate in 2028 is below over half of the current rates for nearby utilities.

Billed Residential Rate - 1,000 kWh





Kerrville Public Utility Board
Operations & Maintenance Detail
FY2024 Budget

	FY2024 Budget	FY2023 Budget	% change	FY2023 Estimate	% change
DISTRIBUTION EXPENSE					
OPERATION EXPENSE					
580 Operation Supervision & Engineering	\$ 42,427	\$ 50,260	-15.6%	\$ 41,269	2.8%
581 Load Dispatching	-	17,000	-100.0%	-	
582 Station Expense	75,421	110,234	-31.6%	66,212	13.9%
583 Overhead Line Expense	10,000	-		-	
584 Underground Line Expense	1,000	-		1,085	-7.8%
585 Street Lighting & Signal Expense	-	-		3,955	-100.0%
586 Meter Expense	196,928	299,158	-34.2%	227,774	-13.5%
588 Misc. Distribution Expense	1,106,741	1,033,457	7.1%	648,319	70.7%
589 Rent Expense	-	14,000	-100.0%	-	
Total Operation Expense	1,432,517	1,524,108	-6.0%	988,614	44.9%
MAINTENANCE EXPENSE					
590 Maintenance Supervision & Engineering	126,478	150,678	-16.1%	54,960	130.1%
592 Maintenance of Station Equipment	437,150	404,883	8.0%	366,910	19.1%
593 Maintenance of Overhead Lines	2,434,810	2,161,320	12.7%	1,960,461	24.2%
594 Maintenance of Underground Lines	143,277	146,831	-2.4%	124,667	14.9%
595 Maintenance of Line Transformers	2,150	1,000	115.0%	5,231	-58.9%
596 Maintenance of Street Lights & Signals	-	-		266	-100.0%
597 Maintenance of Meters	37,043	52,204	-29.0%	78,641	-52.9%
598 Miscellaneous Maintenance Expense	10,650	10,000	6.5%	621	1615.4%
Total Maintenance Expense	3,191,557	2,926,915	9.0%	2,591,758	23.1%
Total Distribution Expense	4,624,074	4,451,024	3.9%	3,580,372	29.2%
CUSTOMER ACCOUNTS EXPENSE					
901 Supervision	44,955	28,908	55.5%	28,079	60.1%
902 Meter Reading	2,400	-		10,388	-76.9%
903 Customer Records & Collection	675,673	676,099	-0.1%	534,379	26.4%
904 Uncollectible Accounts	75,000	50,000	50.0%	57,602	30.2%
Total Customer Accounts Expense	798,028	755,007	5.7%	630,447	26.6%
CUSTOMER SERVICE, INFORMATIONAL & SALES EXPENSE					
907 Supervision	68,441	64,384	6.3%	65,075	5.2%
908 Customer Assistance	164,126	181,861	-9.8%	103,599	58.4%
909 Informational & Instructional	35,951	12,000	199.6%	10,950	228.3%
912 Demonstrating & Selling Expense	410	1,100	-62.7%	1,810	-77.4%
913 Advertising	174,065	162,730	7.0%	148,095	17.5%
Total CS, Informational & Sales Expense	442,992	422,076	5.0%	329,529	34.4%



Kerrville Public Utility Board
Operations & Maintenance Detail
FY2024 Budget

	FY2024 Budget	FY2023 Budget	% change	FY2023 Estimate	% change
ADMINISTRATIVE & GENERAL EXPENSE					
920 Administrative & General Salaries	1,222,957	1,171,889	4.4%	996,036	22.8%
921 Office Supplies & Expenses	871,245	870,340	0.1%	827,739	5.3%
923 Outside Services Employed	609,300	363,000	67.9%	485,857	25.4%
924 Property Insurance	65,000	55,000	18.2%	58,220	11.6%
925 Injuries & Damages	209,031	86,361	142.0%	42,980	386.4%
926 Employee Pensions & Benefits	2,388,980	2,368,200	0.9%	1,777,342	34.4%
930 Miscellaneous General Expenses	206,921	161,809	27.9%	188,542	9.7%
931 Rents	-	10,700	-100.0%	16,671	-100.0%
935 Maintenance of General Plant	115,650	95,500	21.1%	102,815	12.5%
Total Administrative & General Expense	\$ 5,689,084	\$ 5,182,799	9.8%	\$ 4,496,201	26.5%

Community Support Detail

Account 930 - Miscellaneous General Expenses:

Kerrville Economic Development Corp	\$ 68,750
Community Support Sponsorships	50,000
Community Support Projects - Labor & OH	56,171
Community Support Projects - Fleet & Inventory	6,000
Scholarships	13,000
Community Event Meters	2,000
Other Supplies & Materials	11,000
Total 930 - Miscellaneous General Expenses	\$ 206,921



FIVE-YEAR FORECAST



Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
Five-Year Forecast

	FY2023 Estimate	FY2024 Budget	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
OPERATING REVENUES:						
Residential	\$ 25,588,182	\$ 27,653,932	\$ 30,532,649	\$ 33,092,406	\$ 34,882,533	\$ 36,784,489
Commercial/Industrial	18,530,263	21,117,660	23,206,510	24,457,581	25,753,374	27,136,619
Sales to Public Authorities	257,152	258,000	263,160	268,423	273,792	279,267
Other	701,789	695,500	730,275	766,789	805,128	845,385
TOTAL OPERATING REVENUES	45,077,386	49,725,092	54,732,595	58,585,199	61,714,827	65,045,760
OPERATING EXPENSES:						
Purchased Power	30,349,722	32,631,482	37,123,730	39,738,912	42,547,174	45,551,075
Distribution	3,580,372	4,624,074	4,762,796	4,905,680	5,052,850	5,204,436
Customer Accounts	630,447	798,028	821,969	846,628	872,027	898,187
Customer Service, Informational & Sales	329,529	442,992	456,282	469,971	484,070	498,592
Administrative Expenses	4,496,201	5,689,084	5,859,757	6,152,744	6,460,382	6,783,401
Depreciation	4,194,680	4,372,411	4,503,583	4,728,762	4,965,201	5,213,461
TOTAL OPERATING EXPENSES	43,580,951	48,558,071	53,528,117	56,842,698	60,381,703	64,149,152
OPERATING INCOME (LOSS)	1,496,435	1,167,021	1,204,477	1,742,501	1,333,124	896,609
NONOPERATING REVENUES (EXP):						
Interest Income - Investments	1,568,194	1,625,000	736,250	697,500	580,000	525,000
Interest Income - City of Kerrville	169,285	143,571	122,143	96,429	70,714	45,000
Interest Expense - Debt	(108,025)	(91,014)	(82,531)	(67,041)	(49,999)	(31,276)
Interest Expense - Customer Deposits	(3,815)	(6,000)	(5,000)	(5,000)	(5,000)	(5,000)
City of Kerrville - General Fund Transfer	(1,405,627)	(1,545,680)	(1,668,630)	(1,782,274)	(1,871,866)	(1,969,373)
City of Ingram - Franchise Fee	(35,778)	(42,801)	(47,111)	(50,427)	(53,121)	(55,988)
Other - Net	39,363	29,000	30,000	30,000	30,000	30,000
TOTAL NONOPERATING REVENUES (EXP)	223,598	112,077	(914,878)	(1,080,813)	(1,299,272)	(1,461,637)
INCOME BEFORE CONTRIBUTIONS	1,720,032	1,279,098	289,599	661,688	33,852	(565,028)
CAPITAL CONTRIBUTIONS	419,280	360,000	400,000	420,000	440,000	460,000
CHANGE IN NET POSITION	\$ 2,139,312	\$ 1,639,098	\$ 689,599	\$ 1,081,688	\$ 473,852	\$ (105,028)
NET POSITION AT BEGINNING OF YEAR	\$ 73,973,702	\$ 76,113,014	\$ 77,752,111	\$ 78,441,711	\$ 79,523,399	\$ 79,997,251
NET POSITION AT END OF YEAR	\$ 76,113,014	\$ 77,752,111	\$ 78,441,711	\$ 79,523,399	\$ 79,997,251	\$ 79,892,223



Kerrville Public Utility Board
Forecast Assumptions
Five-Year Forecast

Operating Revenues

- * Customer growth of 2.0% for residential in FY2024 and FY2025.
- * Customer growth of 1.5% for commercial in FY2024 and FY2025.
- * Customer growth of 1.5% in all customer classes for FY2026 to FY2028.
- * 5.5% rate increase in FY2026. Cost of Service study planned in FY2025.
- * Power Cost Adjustment Factor (PCAF) increases to \$121.00 in FY2028.
- * Even with rate increases and purchased power adjustments, rates remain below 2021 APPA averages and July 2023 rates for area utilities.

Purchased Power

- * Assumes a 15% increase in purchased power costs based on natural gas futures in FY2025.
- * Assumes a 5% increase in purchased power costs for FY2026-FY2028.
- * Assumes a 7% annual increase in LCRA transmission costs based on historical averages.

Other Operating Expenses

- * Assumes full staffing.
- * 63 full-time employees, 1 part-time intern.
- * 6% average merit increase in FY2024.
- * 3% salary adjustments annually in FY2025 to FY2028.

Nonoperating Revenues and Expenses

- * Interest income at 5.0% in FY2024, decreasing by 0.25% each year through FY2028.
- * City of Kerrville transfer is 3% of gross revenues.
- * City of Ingram franchise fee is 2% of Ingram revenues.



Kerrville Public Utility Board
kWh Sales
Five-Year Forecast

	FY2023 Estimate	FY2024 Budget	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
RESIDENTIAL	284,920,857	297,256,000	303,242,000	307,768,000	312,440,000	317,112,000
COMMERCIAL:						
Small Commercial	160,001,430	163,126,459	165,573,356	168,056,956	170,577,810	173,136,477
Large Commercial-Primary	13,344,000	13,615,795	13,820,032	14,027,332	14,237,742	14,451,308
Large Commercial-Secondary	45,020,716	47,657,747	48,372,613	49,098,202	49,834,675	50,582,195
COMMERCIAL	218,366,146	224,400,000	227,766,000	231,182,490	234,650,227	238,169,981
STREET & SECURITY LIGHT	1,198,378	1,200,000	1,202,400	1,204,805	1,207,214	1,209,629
TOTAL SALES	504,485,381	522,856,000	532,210,400	540,155,295	548,297,442	556,491,610
% CHANGE		3.6%	1.8%	1.5%	1.5%	1.5%



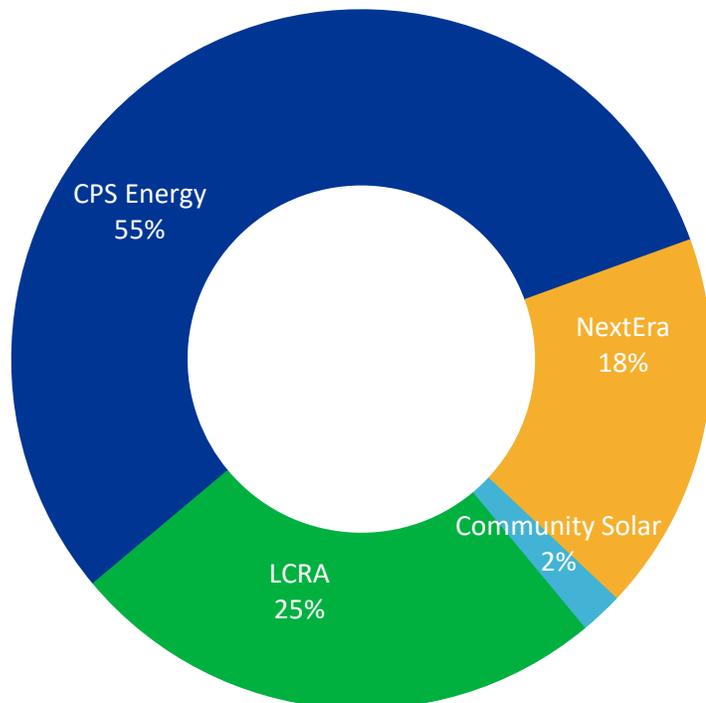
Kerrville Public Utility Board
Purchased Power Metrics
Five-Year Forecast

	FY2023 Estimate	FY2024 Budget	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
1 Total Customers	23,985	24,440	24,911	25,283	25,666	26,050
2 kWh Sales	504,485,381	522,856,000	532,210,400	540,155,295	548,297,442	556,491,610
3 Line Loss	6%	7%	6%	6%	6%	6%
4 kWh Purchased	536,728,425	562,436,705	566,181,277	574,633,292	583,295,151	592,012,351
5 Purchased Power Cost	\$ 30,349,722	\$ 32,631,482	\$ 37,123,730	\$ 39,738,912	\$ 42,547,174	\$ 45,551,075
6 Cost per kWh - purchased	0.05655	0.05802	0.06557	0.06916	0.07294	0.07694
7 Cost per kWh - sold	0.06016	0.06241	0.06975	0.07357	0.07760	0.08185
8 Power Cost Adjustment Factor	1.5157	1.5724	1.7575	1.8536	1.9551	2.0623
9 Neutral Residential Rate - 1,000 kWh	\$ 91.09	\$ 95.89	\$ 103.40	\$ 110.51	\$ 114.63	\$ 118.99
10 Billed Residential Rate - 1,000 kWh	\$ 102.50	\$ 102.50	\$ 105.00	\$ 112.00	\$ 117.00	\$ 121.00
11 % Change - Power Cost		7.5%	13.8%	7.0%	7.1%	7.1%
12 % Change - Cost per kWh - purchased		2.6%	13.0%	5.5%	5.5%	5.5%
13 % Change - Cost per kWh - sold		3.7%	11.8%	5.5%	5.5%	5.5%
14 % Change - Residential Rate		5.3%	7.8%	6.9%	3.7%	3.8%
15 % Change - Billed Residential Rate		0.0%	2.4%	6.7%	4.5%	3.4%

FY2024 Budget - Expense by Supplier

PURCHASED POWER

The largest component of KPUB's purchased power expense is paid to CPS Energy. KPUB pays LCRA for transmission services. For budget purposes, cost stabilization activities in the form of renewable hedges and congestion revenue rights are assumed to be approximately neutral, representing less than 1% of total power cost.





CAPITAL BUDGET



Kerrville Public Utility Board
Capital Budget
Five-Year Forecast

	FY2024 Budget	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
METERS					
Existing AMR Systems	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Total Meters	75,000	75,000	75,000	75,000	75,000
LINE CONSTRUCTION					
Ordinary Replacements	113,142	115,971	118,870	121,842	125,497
Customer Extensions	1,506,805	1,543,710	1,581,600	1,620,425	1,652,834
System Improvements	591,325	573,950	614,092	473,000	600,000
Furman - New Feeder to Reduce Harper Load	-	-	240,000	-	-
Barker - Express Feed for Redundancy	-	552,000	-	-	-
Harper to Furman Transmission Underbuild	350,000	-	-	-	-
Single to Three Phase Conversion (HR30 & ST60)	360,000	-	-	-	-
Pole Inspection Replacements	450,000	300,000	300,000	300,000	300,000
Power Factor Improvement	43,904	45,002	46,127	47,280	48,226
Contingency	121,324	154,607	83,251	120,033	154,500
Padmount Refurbish & Replacements	197,260	198,120	199,020	199,940	200,940
Street Lights	66,240	16,640	17,040	17,480	18,004
Clay Street Improvements	100,000	-	-	-	-
KPD/KCSO/KPUB Reliability Project	200,000	-	-	-	-
Total Line Construction	4,100,000	3,500,000	3,200,000	2,900,000	3,100,000
HEAVY EQUIPMENT & VEHICLES					
Bucket/Derrick Truck	325,000	340,000	340,000	210,000	360,000
Small Vehicles	105,000	150,000	47,500	129,875	104,000
Total Heavy Equipment & Vehicles	430,000	490,000	387,500	339,875	464,000
GENERAL PLANT/OTHER					
Normal IT	25,000	25,000	25,000	25,000	25,000
Major IT	265,000	225,000	205,000	170,000	90,000
Aerial Imagery Update - Eagleview	38,100	-	-	-	-
FiberOptic Communications	60,000	61,500	63,000	65,000	67,000
Radio System Upgrade at Hunt Substation	554,000	-	-	-	-
Office Furniture	75,000	-	-	-	-
Facilities Improvements	50,000	50,000	50,000	50,000	50,000
Wire Barn Improvements	50,000	-	-	-	-
EV Charging	875,000	(550,000)	50,000	50,000	50,000
Capital Tools	25,000	45,000	45,000	45,000	45,000
Total General Plant / Other	2,017,100	(143,500)	438,000	405,000	327,000
SUBSTATIONS					
Ingram Transformer Replacement	-	-	1,509,740	-	-
New Substation	250,000	-	-	2,000,000	-
New Substation Exit Circuits	-	-	-	657,000	-
Minor Improvements	186,000	311,000	800,200	63,000	153,000
DA Equipment Deployment	15,000	15,000	15,000	15,000	15,000
Total Substations	451,000	326,000	2,324,940	2,735,000	168,000
TOTAL CAPITAL BUDGET	\$ 7,073,100	\$ 4,247,500	\$ 6,425,440	\$ 6,454,875	\$ 4,134,000
CASH FLOW FOR CAPITALIZED LEASES & SBITA'S	\$ 239,057	\$ 244,903	\$ 228,236	\$ 230,562	\$ 155,366



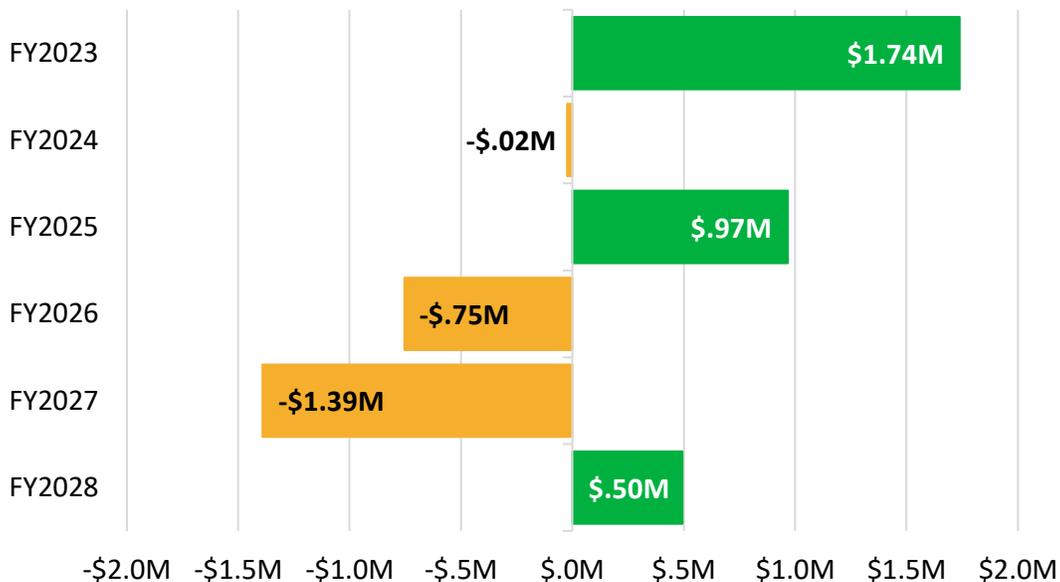
CASH FLOW FORECAST



Kerrville Public Utility Board
Cash Flow Forecast
Five-Year Forecast

	FY2023 Estimate	FY2024 Budget	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
BALANCE AT BEGINNING OF YEAR	\$ 34,000,000	\$ 35,739,375	\$ 35,714,962	\$ 36,681,821	\$ 35,927,253	\$ 34,537,025
CASH INFLOWS:						
Cash from Operations	6,442,017	6,102,523	5,275,713	5,877,492	5,489,051	5,139,709
Pension Adjustment (noncash)	100,000	100,000	100,000	100,000	100,000	100,000
Capital Contributions	419,280	360,000	400,000	420,000	440,000	460,000
Advance to City of Kerrville	1,244,999	1,219,285	1,193,571	1,167,858	1,142,143	1,116,429
Interest Income	1,568,194	1,625,000	736,250	697,500	580,000	525,000
Total Inflows	9,774,490	9,406,808	7,705,534	8,262,850	7,751,194	7,341,138
CASH OUTFLOWS:						
Winter Storm Uri			TBD			
Transfer & Franchise Fee	1,441,405	1,588,481	1,715,741	1,832,701	1,924,987	2,025,361
Debt Repayment	531,197	530,584	530,531	531,041	530,999	531,276
Cash for Capitalized Leases	262,513	239,057	244,903	228,236	230,562	155,366
Capital Spending	5,800,000	7,073,100	4,247,500	6,425,440	6,454,875	4,134,000
Total Outflows	8,035,114	9,431,221	6,738,675	9,017,418	9,141,423	6,846,003
NET CHANGE IN CASH	1,739,375	(24,414)	966,860	(754,568)	(1,390,229)	495,135
BALANCE AT END OF YEAR	\$ 35,739,375	\$ 35,714,962	\$ 36,681,821	\$ 35,927,253	\$ 34,537,025	\$ 35,032,159

Net Change in Cash





Kerrville Public Utility Board
 Bonds Payable and Advance Receivable Schedules
 As of September 2023

Bonds Payable:

Series 2013 Revenue Bonds
 Original Principal: \$6,300,000
 Interest Rate: 1.01% to 4.13%, overall 3.16%
 Semiannual Payments on May 1 and November 1

Maturity Schedule:

Fiscal Year	Principal	Interest	Total
FY2023	\$ 422,000	\$ 109,197	\$ 531,197
FY2024	434,000	96,584	530,584
FY2025	448,000	82,531	530,531
FY2026	464,000	67,041	531,041
FY2027	481,000	49,999	530,999
FY2028	500,000	31,276	531,276
FY2029	520,000	10,738	530,738
TOTAL	\$ 3,269,000	\$ 447,366	\$ 3,716,366

Advance Receivable:

City of Kerrville
 Original Principal: \$7,500,000
 Interest Rate: 2.4%
 Semiannual Payments on February 1 and August 1

Maturity Schedule:

Fiscal Year	Principal	Interest	Total
FY2023	\$ 1,071,428	\$ 173,571	\$ 1,244,999
FY2024	1,071,428	147,857	1,219,285
FY2025	1,071,428	122,143	1,193,571
FY2026	1,071,429	96,429	1,167,858
FY2027	1,071,429	70,714	1,142,143
FY2028	1,071,429	45,000	1,116,429
FY2029	1,071,429	19,286	1,090,715
TOTAL	\$ 7,500,000	\$ 675,000	\$ 8,175,000



DEBT SERVICE COVERAGE



Kerrville Public Utility Board
Debt Service Coverage
Five-Year Forecast

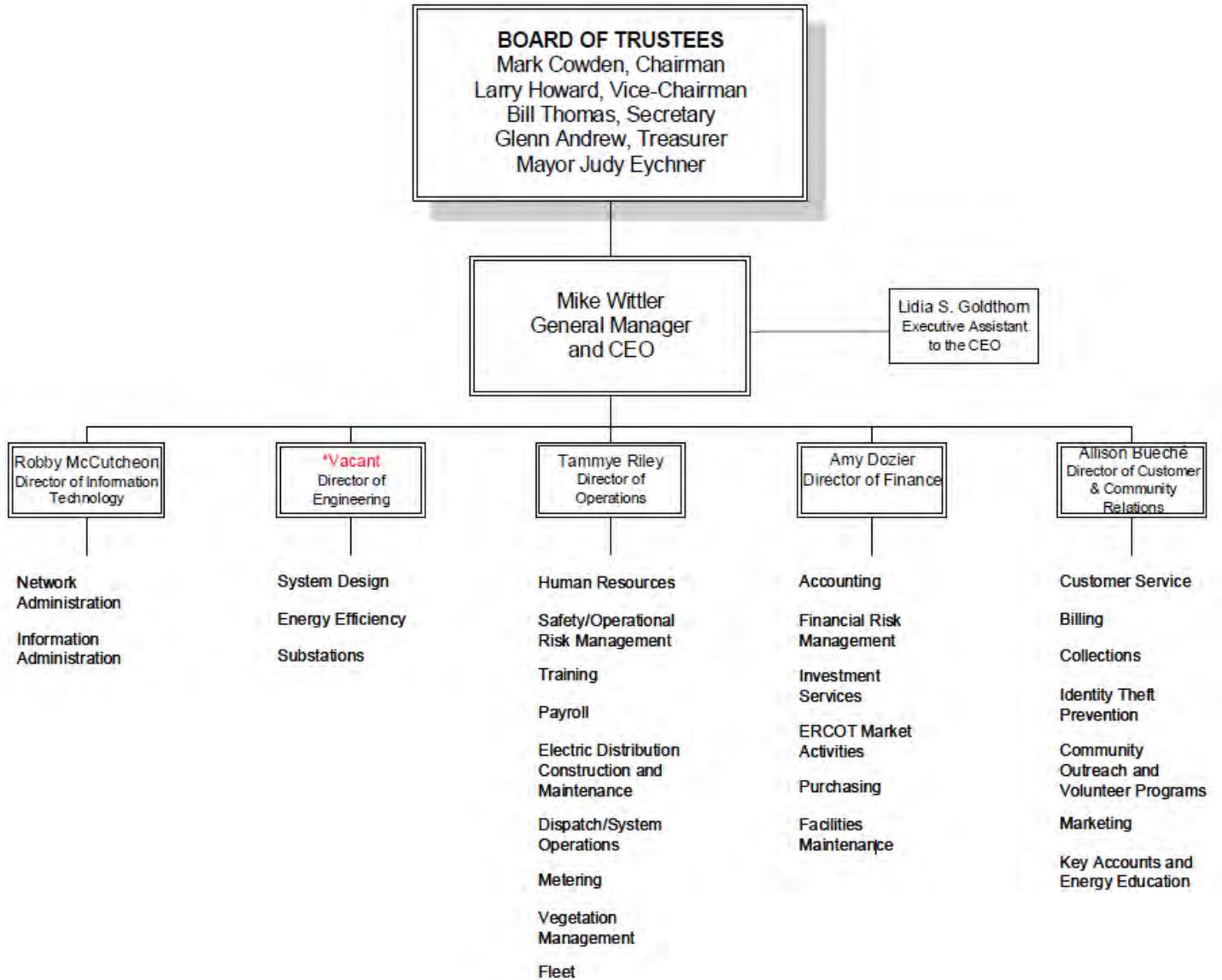
	FY2023 Estimate	FY2024 Budget	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
CHANGE IN NET POSITION	\$ 2,139,312	\$ 1,639,098	\$ 689,599	\$ 1,081,688	\$ 473,852	\$ (105,028)
PLUS:						
Interest Expense (net of amortizations)	108,025	91,014	82,531	67,041	49,999	31,276
Depreciation Expense	4,194,680	4,372,411	4,503,583	4,728,762	4,965,201	5,213,461
Numerator	6,442,017	6,102,523	5,275,713	5,877,492	5,489,051	5,139,709
DIVIDED BY:						
Interest Expense (net of amortizations)	108,025	91,014	82,531	67,041	49,999	31,276
Principal Payment Due	433,000	446,833	462,667	479,583	498,417	518,333
Denominator	\$ 541,025	\$ 537,848	\$ 545,197	\$ 546,624	\$ 548,415	\$ 549,609
DEBT SERVICE COVERAGE RATIO	11.91	11.35	9.68	10.75	10.01	9.35



ORGANIZATION CHARTS

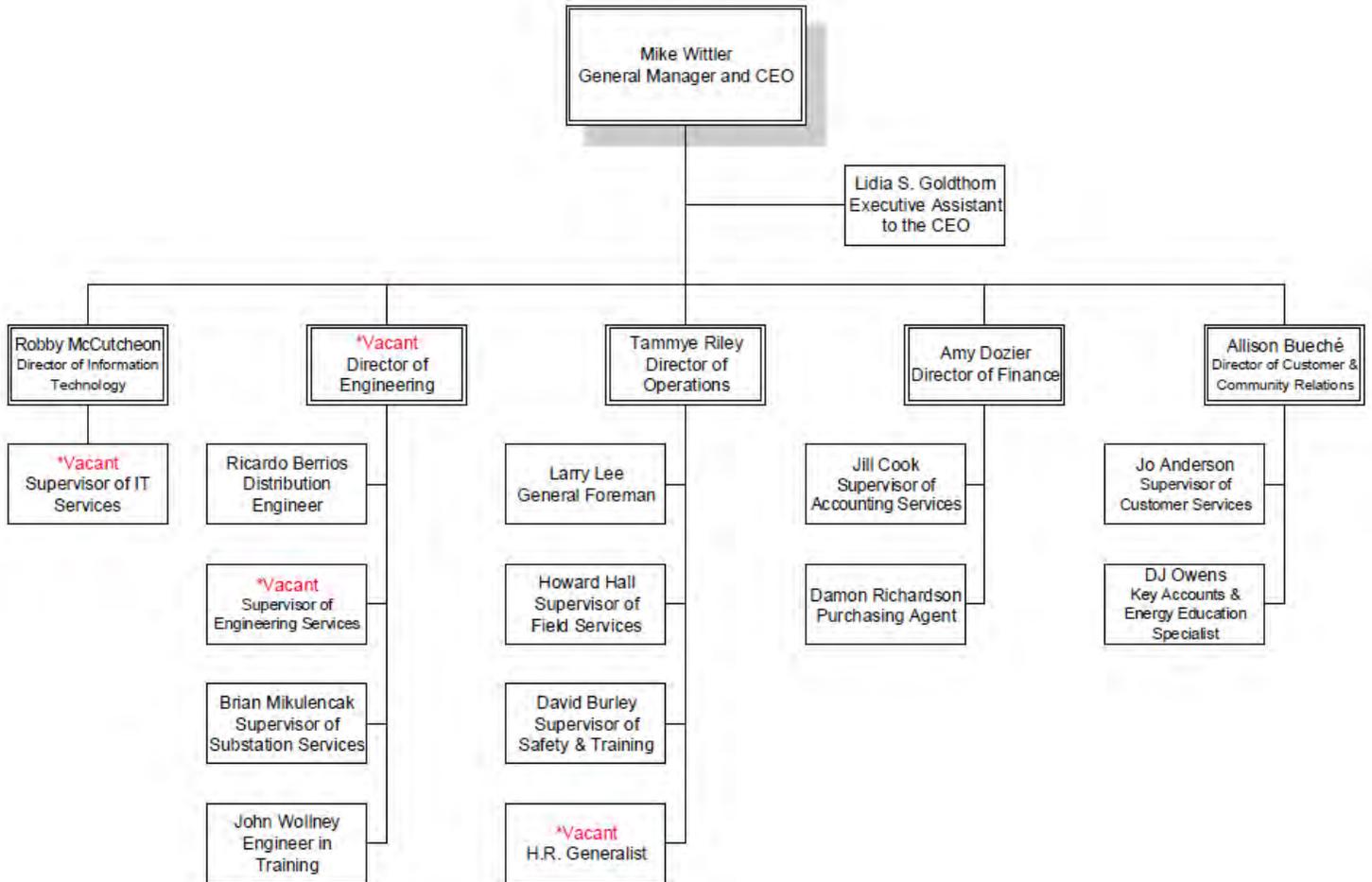


Kerrville Public Utility Board
 2023 Board Organization Chart
 August 31, 2023



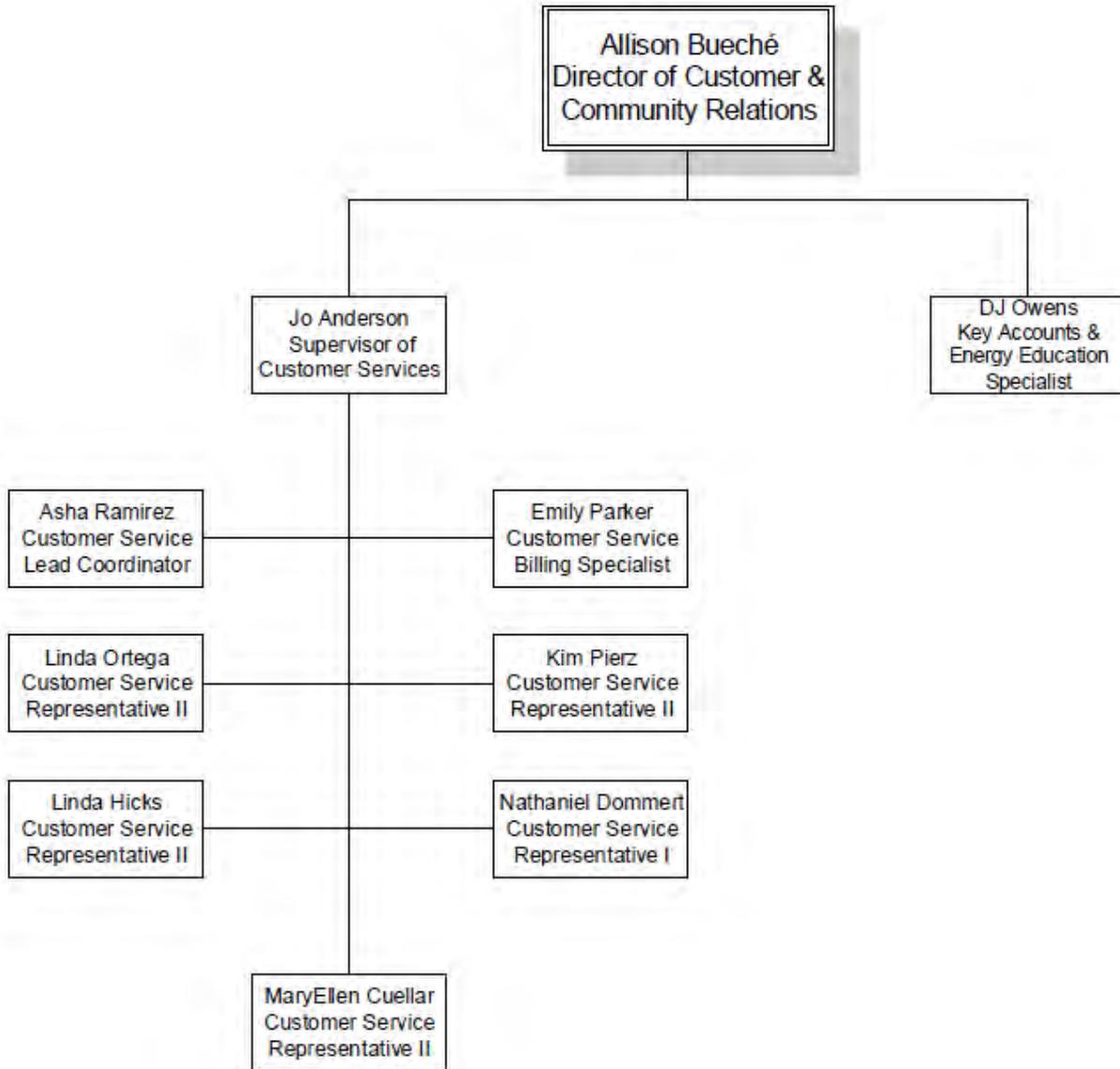


Kerrville Public Utility Board
2023 Organization Chart
August 31, 2023



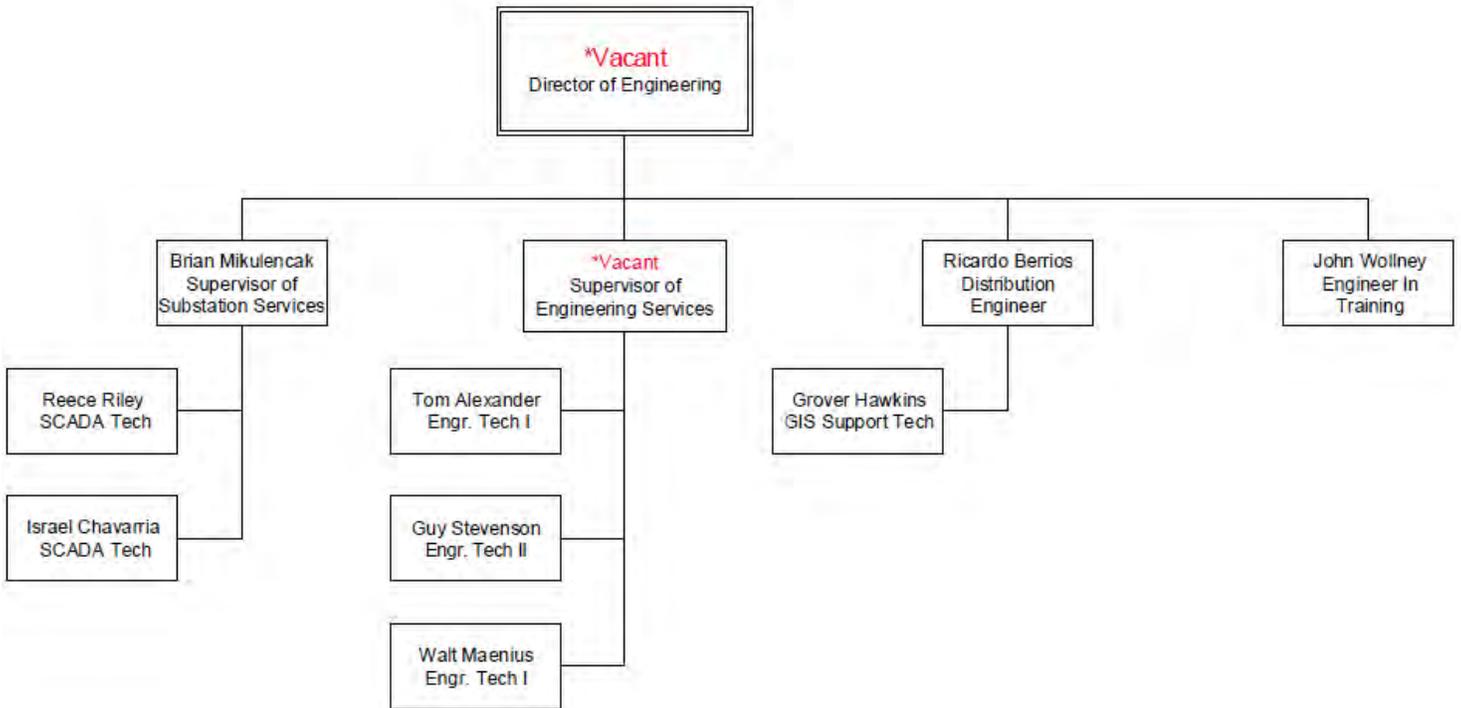


Kerrville Public Utility Board
Customer & Community Relations
August 31, 2023



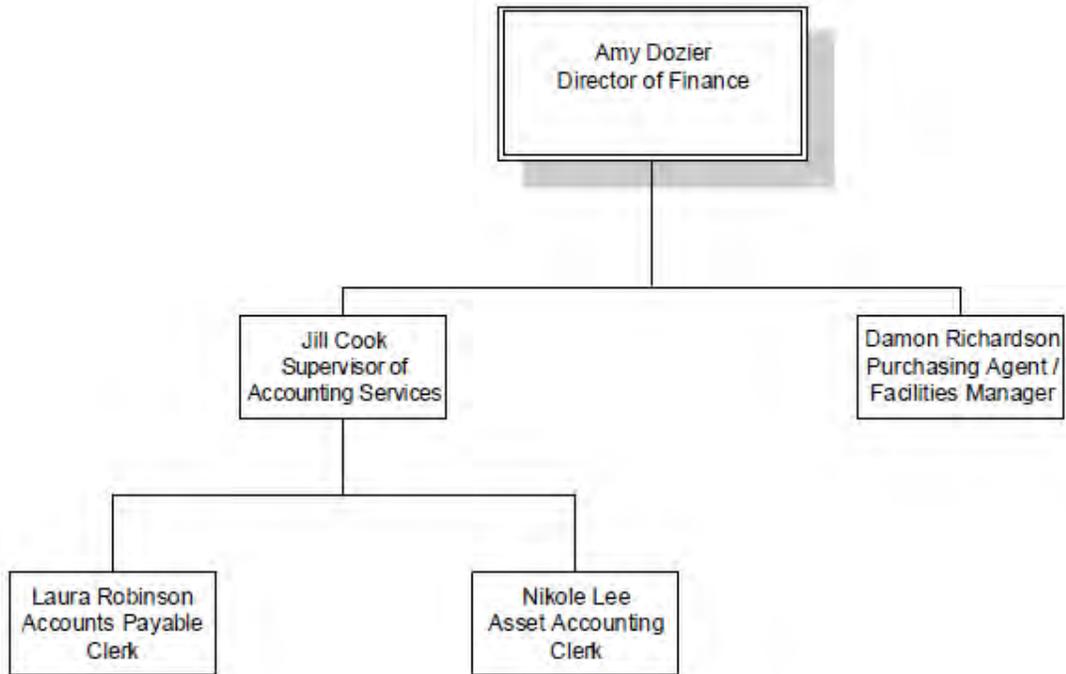


Kerrville Public Utility Board
Engineering
August 31, 2023



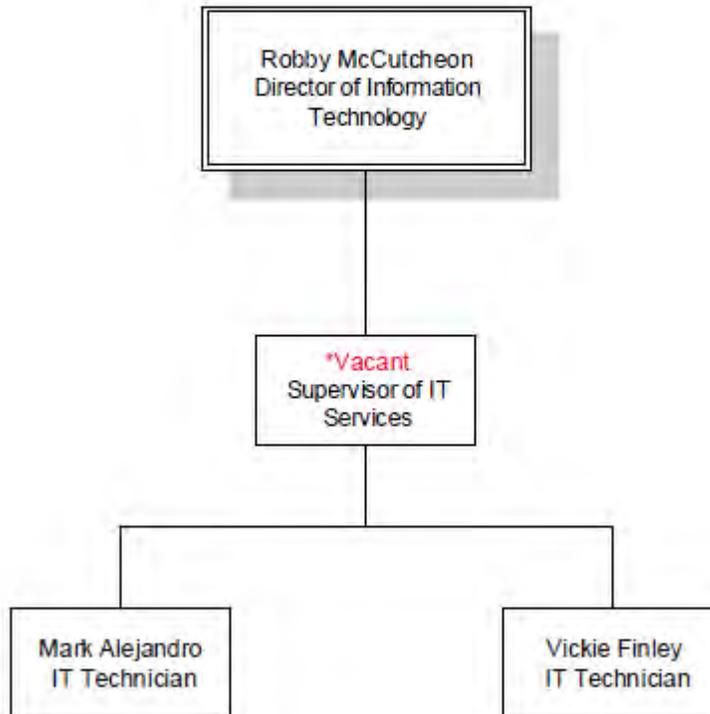


Kerrville Public Utility Board
Finance
August 31, 2023



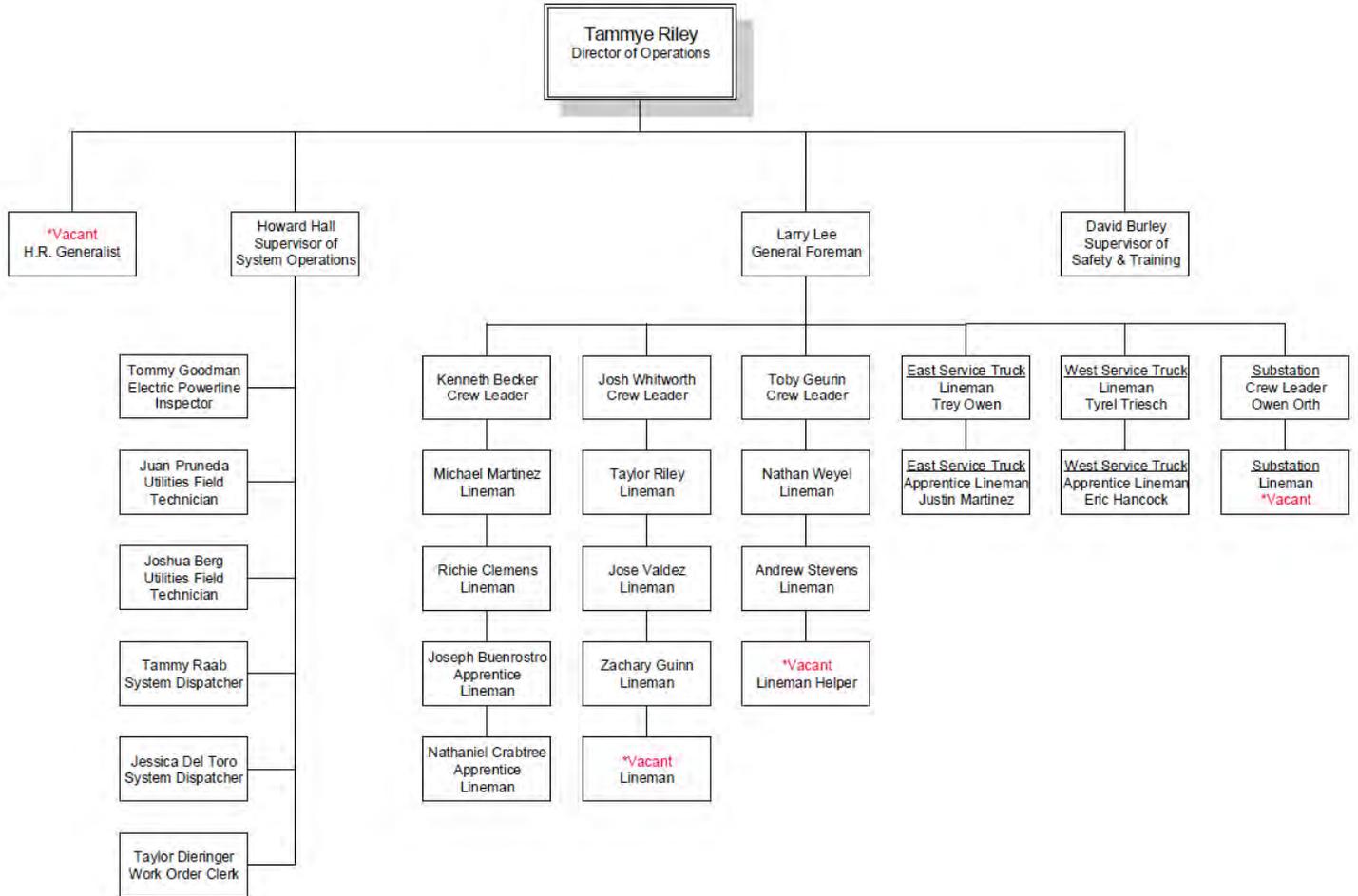


Kerrville Public Utility Board
Information Technology
August 31, 2023





Kerrville Public Utility Board
Operations
August 31, 2023



MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

From: Amy Dozier

Date: September 13, 2023

Re: Agenda Item No. 9 – Resolution 23-14 – Revision of Residential Electric Rates and Forwarding the Proposed Residential Tariff to the City of Kerrville for Action and Approval by the City Council

In 2017, KPUB contracted with Utility Financial Solutions (UFS) to perform a rate study that included a cost of service analysis and rate design recommendations. The study recommended two rate changes, one in Fiscal Year 2019 (FY2019) and a second in FY2021. The first rate change was approved by the KPUB Board and Kerrville City Council for implementation in FY2019. The second rate change originally scheduled for FY2021 has not been implemented. Staff is requesting implementation of the recommended second rate change in November 2023.

KPUB's residential rate is made up of 3 components that will change as follows:

1. Customer charge: increasing from \$10.25 to \$15.25 per month
2. Distribution charge: decreasing from \$0.0193 to \$0.0168 per kWh
3. Power Supply charge: decreasing from \$0.07295 per kWh to \$0.07045 per kWh

Using the industry standard that shows rates in terms of a monthly bill for a residential customer that uses 1,000 kWh per month, results in a rate that will remain the same at \$102.50 both before and after this rate change.

The change to the customer charge and to the distribution charge are in accordance with the rate study recommendation. If there were no changes to the power supply charge, the changes in those two categories would equate to a 2% increase in KPUB's revenue.

Staff is planning to change the power cost adjustment from \$0.03235 per kWh to \$0.02985 for FY2024 due to lower power costs as a result of low natural gas prices and effective renewable hedges.

If the Board approves this resolution, the next step in the process is to take the approved resolution along with a City of Kerrville ordinance to the Kerrville City Council for approval. City Council ordinances require two votes, which are scheduled for September 26, 2023 and October 10, 2023.

Attached to this memo please find:

1. Resolution 23-14, including revised tariff as Exhibit A
2. Redlined tariff
3. Rate Design Study from UFS

Sincerely,

A handwritten signature in black ink that reads "Amy Dozier". The signature is written in a cursive style and is placed on a light gray rectangular background.

Amy Dozier
Director of Finance

RESOLUTION NO. 23-14

A RESOLUTION OF THE KERRVILLE PUBLIC UTILITY BOARD APPROVING THE REVISION OF THE ELECTRIC RATES CHARGED BY KPUB TO ITS RESIDENTIAL CUSTOMERS AND FORWARDING THE PROPOSED RESIDENTIAL TARIFF TO THE CITY OF KERRVILLE FOR ACTION AND APPROVAL BY THE CITY COUNCIL.

WHEREAS, in 2017, the KPUB staff recommended and the Board approved the hiring of the firm Utility Financial Solutions (UFS) to perform a Cost of Service Study; and

WHEREAS, on January 24, 2018, Mrs. Dawn Lund of UFS presented the company's Draft Cost of Service Study and Rate Design Reports to the Board with her recommended changes; and

WHEREAS, on August 28, 2018, KPUB Staff presented the Final Cost of Service Study and Rate Design Reports from UFS recommending two rate changes, one in Fiscal Year 2019 and a second in Fiscal Year 2021; and

WHEREAS, the KPUB Board approved resolution 18-12 revising residential rates according to the first stage of the rate design plan on August 28, 2018; and

WHEREAS, the Kerrville City Council approved Ordinance 2018-22 revising residential rates according to the first stage of the rate design plan on October 9, 2018; and

WHEREAS, the second stage of the rate design plan recommended for Fiscal Year 2021 has not yet been implemented; now, therefore,

BE IT RESOLVED BY THE KERRVILLE PUBLIC UTILITY BOARD THAT:

Section 1. The above recitals are true and correct.

Section 2. The Board approves the revised Residential Rate Tariff, and Distributed Generation Rider DG, attached hereto as Exhibit A, as recommended by UFS and Staff, and the General Manager is authorized to forward the revised residential rate tariff described herein to the Kerrville City Council for its consideration and action.

PASSED, APPROVED AND ADOPTED on this 20th day of September, 2023

Mark Cowden, Chairman

ATTEST:

Bill Thomas, Secretary

EXHIBIT A

RESIDENTIAL SERVICE RATE SCHEDULE - RS

APPLICATION

Applicable throughout the service area for all electric service supplied at one point of delivery and measured through one meter required exclusively for domestic purposes by individual (single family) private residents, individually metered apartment units and farm homes.

Not applicable to businesses, licensed boarding or rooming houses, camps, fraternity or sorority houses advertised as such, educational institutions, churches or facilities, or apartment houses, whose units are not individually metered, including the common facility requirements of residence also used for business purposes, evidenced by any form of advertising, including separate white page telephone listing, which will be served under the appropriate commercial service rate schedule. Not applicable to shared, standby, or resale service.

CHARACTER OF SERVICE

Service under this rate schedule shall be alternating current, 60 Hertz, single phase, at the customer's option of standard available voltages. KPUB may, at its option, provide three-phase service when individual motors rated at 7.5 horsepower or larger are connected.

MONTHLY RATE

<i>CHARGE</i>		<i>AMOUNT</i>
CUSTOMER CHARGE: Meter, Meter Reading, and Billing Charge		\$15.25
DISTRIBUTION	All kWh	\$0.01680 per kWh
POWER SUPPLY	All kWh	\$0.04060 per kWh

Plus an amount calculated in accordance with Rider PCAF.

Plus any taxes, assessments, or surcharges imposed by any governmental authority, which are assessed on the basis of revenues from electric service or volume of electricity purchased or sold.

MINIMUM CHARGE

The monthly minimum charge shall be the sum of the "Customer Charge" and all applicable rate adjustments.

PAYMENT

Bills are due when rendered and become past due if not paid within sixteen (16) days thereafter. Past due bills shall be assessed a one time penalty charge of 5% of the unpaid amount. Upon proof of age of over 60 years the penalty for past due bills shall be waived.

DISTRIBUTED GENERATION RIDER DG

AVAILABILITY

Customers requesting interconnection and parallel operation of Distributed Generation (“DG”) shall complete the Application for Interconnection and Parallel Operation of Distributed Generation (“Application”) with the KPUB System contained in these Tariffs. For purposes of this rate schedule, Distributed Generation refers to an electrical generating facility located at a Customer’s point of delivery of ten megawatts (10 MW) or less and connected to the KPUB distribution system at a standard available voltage less than or equal to 60 kilovolts (kV) and 60 Hertz alternating current.

AGREEMENT

Upon determination by KPUB that the Customer’s facility is consistent with the safe and reliable operation of the KPUB’s distribution system, KPUB and Customer shall enter into an Agreement for Interconnection and Parallel Operation of Distributed Generation (“Interconnection Agreement”) contained in this Tariff, which sets forth the contractual conditions under which KPUB and Customer agree that one or more facilities may be interconnected with KPUB’s distribution system.

DISTRIBUTION SERVICE TO DG

Distribution service provided to a Customer operating Distributed Generation in parallel with the KPUB’s distribution system is available pursuant to this Tariff and agreements for such distribution service.

SPECIAL CONDITIONS

1. **Pre-Interconnection studies** - KPUB may perform pre-interconnection studies, which shall include service study, coordination study, and utility system impact study, as needed and determined in the sole discretion of KPUB. In instances where such studies are deemed necessary, the scope of such studies shall be based on the characteristics of the particular distributed generation facility to be interconnected and the KPUB’s distribution system at the specific proposed location. KPUB may charge Customer fees for Pre Interconnection Studies that recover the costs of performing such studies. Any modifications or additions to KPUB’s Electric System identified through the pre-interconnection study as required for the safe and reliable interconnection of Customer’s facility shall be solely at the Customer’s expense. Customer shall not acquire any ownership in such modifications or additions to KPUB’s Electric System.
2. **Technical Requirements** - Customer’s installation must comply with the technical requirements and procedures set forth in The Public Utility Commission of Texas Substantive Rule 25.212 for safe and effective connection and operation of Distributed Generation, which describes typical interconnection requirements. KPUB may require Customer to install and use more sophisticated protective devices and operating schemes when the DG facility is exporting power to KPUB’s system or when otherwise required due to specific interconnection location and condition.
3. **Disconnection and reconnection** - KPUB may disconnect a distributed generation unit from the KPUB system under the following conditions:
 - 1) **Expiration or termination of Interconnection Agreement** - The Interconnection Agreement specifies the effective term and termination rights of KPUB and Customer.

Upon expiration or termination of the Interconnection Agreement with a Customer, in accordance with the terms of the agreement, KPUB may disconnect Customer’s facilities.

- 2) **Non-compliance with the Technical Requirements** - KPUB may disconnect a distributed generation facility if the facility is not in compliance with the Technical Requirements specified herein. Within two business days from the time the Customer notifies KPUB that the facility has been restored to compliance with the Technical Requirements, KPUB shall have an inspector verify such compliance. Upon such verification, the Customer in coordination with KPUB may reconnect the facility.
- 3) **System emergency** - KPUB may temporarily disconnect a Customer’s facility without prior written notice in cases where continued interconnection will endanger persons or property. During the forced outage of KPUB’s system, KPUB shall have the right to temporarily disconnect a Customer’s facility to make immediate repairs on the KPUB system.
- 4) **Routine maintenance, repairs, and modification** - KPUB may disconnect a Customer or a Customer’s facility with prior notice of a service interruption for routine maintenance, repairs, and KPUB system modifications. KPUB shall reconnect the Customer as quickly as reasonably possible following any such service interruption.
- 5) **Lack of approved Application and Interconnection Agreement** - In order to interconnect distributed generation to the KPUB system, a Customer must first submit to KPUB an Application for interconnection and parallel operation with the KPUB system and execute an Interconnection Agreement. KPUB may refuse to connect or may disconnect the Customer’s facility if such application has not been received and approved and an Interconnection Agreement executed.

MONTHLY RATE

- A. If the Customer’s DG requires the installation of an additional meter, the Customer shall pay Kerrville Public Utility Board a charge to cover administrative, billing and metering cost as follows:

<i>CHARGE</i>	<i>AMOUNT (based on standard service rate schedule)</i>			
	Rate RS	Rate CS	Rate LCS-S	Rate LCS-P
CUSTOMER CHARGE: Meter, Meter Reading, and Billing Charge	\$15.25	\$31.50	\$230.00	\$230.00

B. Kerrville Public Utility Board shall pay Customer for all energy received from Customer as follows:

<i>CHARGE</i>	<i>AMOUNT (based on standard service rate schedule)</i>			
	Rate RS	Rate CS	Rate LCS-S	Rate LCS-P
Energy (per all kWh received)	\$0.04060	\$0.04228	\$0.03351	\$0.03030

Plus an amount calculated in accordance with Rider PCAF.

RESIDENTIAL SERVICE RATE SCHEDULE - RS

APPLICATION

Applicable throughout the service area for all electric service supplied at one point of delivery and measured through one meter required exclusively for domestic purposes by individual (single family) private residents, individually metered apartment units and farm homes.

Not applicable to businesses, licensed boarding or rooming houses, camps, fraternity or sorority houses advertised as such, educational institutions, churches or facilities, or apartment houses, whose units are not individually metered, including the common facility requirements of residence also used for business purposes, evidenced by any form of advertising, including separate white page telephone listing, which will be served under the appropriate commercial service rate schedule. Not applicable to shared, standby, or resale service.

CHARACTER OF SERVICE

Service under this rate schedule shall be alternating current, 60 Hertz, single phase, at the customer's option of standard available voltages. KPUB may, at its option, provide three-phase service when individual motors rated at 7.5 horsepower or larger are connected.

MONTHLY RATE

<i>CHARGE</i>		<i>AMOUNT</i>
CUSTOMER CHARGE: Meter, Meter Reading, and Billing Charge		\$15.25 \$10.25
DISTRIBUTION	All kWh	\$0.01 680 930 per kWh
POWER SUPPLY	All kWh	\$0.04060 per kWh

Plus an amount calculated in accordance with Rider PCAF.

Plus any taxes, assessments, or surcharges imposed by any governmental authority, which are assessed on the basis of revenues from electric service or volume of electricity purchased or sold.

MINIMUM CHARGE

The monthly minimum charge shall be the sum of the "Customer Charge" and all applicable rate adjustments.

PAYMENT

Bills are due when rendered and become past due if not paid within sixteen (16) days thereafter. Past due bills shall be assessed a one time penalty charge of 5% of the unpaid amount. Upon proof of age of over 60 years the penalty for past due bills shall be waived.

DISTRIBUTED GENERATION RIDER DG

AVAILABILITY

Customers requesting interconnection and parallel operation of Distributed Generation (“DG”) shall complete the Application for Interconnection and Parallel Operation of Distributed Generation (“Application”) with the KPUB System contained in these Tariffs. For purposes of this rate schedule, Distributed Generation refers to an electrical generating facility located at a Customer’s point of delivery of ten megawatts (10 MW) or less and connected to the KPUB distribution system at a standard available voltage less than or equal to 60 kilovolts (kV) and 60 Hertz alternating current.

AGREEMENT

Upon determination by KPUB that the Customer’s facility is consistent with the safe and reliable operation of the KPUB’s distribution system, KPUB and Customer shall enter into an Agreement for Interconnection and Parallel Operation of Distributed Generation (“Interconnection Agreement”) contained in this Tariff, which sets forth the contractual conditions under which KPUB and Customer agree that one or more facilities may be interconnected with KPUB’s distribution system.

DISTRIBUTION SERVICE TO DG

Distribution service provided to a Customer operating Distributed Generation in parallel with the KPUB’s distribution system is available pursuant to this Tariff and agreements for such distribution service.

SPECIAL CONDITIONS

1. **Pre-Interconnection studies** - KPUB may perform pre-interconnection studies, which shall include service study, coordination study, and utility system impact study, as needed and determined in the sole discretion of KPUB. In instances where such studies are deemed necessary, the scope of such studies shall be based on the characteristics of the particular distributed generation facility to be interconnected and the KPUB’s distribution system at the specific proposed location. KPUB may charge Customer fees for Pre Interconnection Studies that recover the costs of performing such studies. Any modifications or additions to KPUB’s Electric System identified through the pre-interconnection study as required for the safe and reliable interconnection of Customer’s facility shall be solely at the Customer’s expense. Customer shall not acquire any ownership in such modifications or additions to KPUB’s Electric System.
2. **Technical Requirements** - Customer’s installation must comply with the technical requirements and procedures set forth in The Public Utility Commission of Texas Substantive Rule 25.212 for safe and effective connection and operation of Distributed Generation, which describes typical interconnection requirements. KPUB may require Customer to install and use more sophisticated protective devices and operating schemes when the DG facility is exporting power to KPUB’s system or when otherwise required due to specific interconnection location and condition.
3. **Disconnection and reconnection** - KPUB may disconnect a distributed generation unit from the KPUB system under the following conditions:
 - 1) **Expiration or termination of Interconnection Agreement** - The Interconnection Agreement specifies the effective term and termination rights of KPUB and Customer.

Upon expiration or termination of the Interconnection Agreement with a Customer, in accordance with the terms of the agreement, KPUB may disconnect Customer’s facilities.

- 2) **Non-compliance with the Technical Requirements** - KPUB may disconnect a distributed generation facility if the facility is not in compliance with the Technical Requirements specified herein. Within two business days from the time the Customer notifies KPUB that the facility has been restored to compliance with the Technical Requirements, KPUB shall have an inspector verify such compliance. Upon such verification, the Customer in coordination with KPUB may reconnect the facility.
- 3) **System emergency** - KPUB may temporarily disconnect a Customer’s facility without prior written notice in cases where continued interconnection will endanger persons or property. During the forced outage of KPUB’s system, KPUB shall have the right to temporarily disconnect a Customer’s facility to make immediate repairs on the KPUB system.
- 4) **Routine maintenance, repairs, and modification** - KPUB may disconnect a Customer or a Customer’s facility with prior notice of a service interruption for routine maintenance, repairs, and KPUB system modifications. KPUB shall reconnect the Customer as quickly as reasonably possible following any such service interruption.
- 5) **Lack of approved Application and Interconnection Agreement** - In order to interconnect distributed generation to the KPUB system, a Customer must first submit to KPUB an Application for interconnection and parallel operation with the KPUB system and execute an Interconnection Agreement. KPUB may refuse to connect or may disconnect the Customer’s facility if such application has not been received and approved and an Interconnection Agreement executed.

MONTHLY RATE

- A. If the Customer’s DG requires the installation of an additional meter, the Customer shall pay Kerrville Public Utility Board a charge to cover administrative, billing and metering cost as follows:

<i>CHARGE</i>	<i>AMOUNT (based on standard service rate schedule)</i>			
	Rate RS	Rate CS	Rate LCS-S	Rate LCS-P
CUSTOMER CHARGE: Meter, Meter Reading, and Billing Charge	\$15.25 25	\$31.50 00	\$230.00 00	\$230.00 00

B. Kerrville Public Utility Board shall pay Customer for all energy received from Customer as follows:

<i>CHARGE</i>	<i>AMOUNT (based on standard service rate schedule)</i>			
	Rate RS	Rate CS	Rate LCS-S	Rate LCS-P
Energy (per all kWh received)	\$0.04060	\$0.04228	\$0.03351297 ±	\$0.03030272 θ

Plus an amount calculated in accordance with Rider PCAF.

**Kerrville Public Utility Board
Final 2021 Rate Design**

Customer Class	Current Revenues	Proposed Revenue	Percent Change
Residential	\$ 19,795,879	\$ 20,199,169	2.0%
Outdoor Area Lighting	245,730	248,187	1.0%
Street Lighting	264,529	269,820	2.0%
Commercial Service	12,503,020	12,737,272	1.9%
Large Commercial Service Secondary	930,180	951,252	2.3%
Large Commercial Service Primary	484,673	495,016	2.1%
Contract Secondary	1,844,039	2,020,784	9.6%
Contract Primary	360,462	393,575	9.2%
Total	36,428,514	\$ 37,315,076	2.4%
Total Without Contract Rates	34,224,012	34,900,718	2.0%

Kerrville Public Utility Board
2021 Rate Design
 Residential

		Customer Charge	Distribution All KWh's	Power Supply All KWh's	Calc by Utility Formula	
					Estimated PCAF	
Current Rate						
Winter Rate	Meter Charge	\$ 3.75	\$ 0.0193	\$ 0.0406	\$	0.02024
Summer	Meter Reading Charge	\$ 1.25	\$ 0.0193	\$ 0.0406	\$	0.02024
	Billing Charge	\$ 5.25				
	Total	\$ 10.25				

		Customer Charge	Distribution All KWh's	Power Supply All KWh's	Calc by Utility Formula	
					Estimated PCAF	
Proposed Rate						
Winter Rate	Meter Charge	\$ 3.75	\$ 0.0168	\$ 0.0406	\$	0.02024
Summer	Meter Reading Charge	\$ 1.25	\$ 0.0168	\$ 0.0406	\$	0.02024
	Billing, Services, CS, Dist	\$ 10.25				
	Total	\$ 15.25				

Cost of Service 14.88

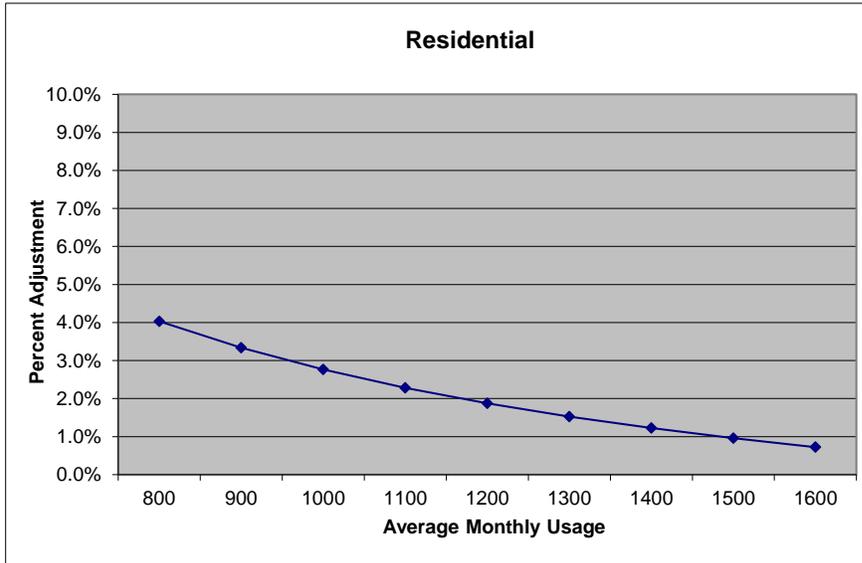
Total Without Contract Rates

Estimated Change in Revenues

Current Revenues	19,795,879
Proposed Revenues	20,199,169

Percentage Change 2.0%

Residential Dollar Impacts			
Usage	Dollar	Usage	Dollar
800	\$ 3.00	1300	1.75
900	2.75	1400	1.50
1000	2.50	1500	1.25
1100	2.25	1600	1.00
1200	2.00		



MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

From: Amy Dozier

Date: September 13, 2023

Re: Agenda Item No. 10 – Resolution 23-15 – Revision of Commercial Electric Rates

In 2017, KPUB contracted with Utility Financial Solutions (UFS) to perform a rate study that included a cost of service analysis and rate design recommendations. The study was presented to the KPUB Board in August 2018 and recommended two rate changes, one in Fiscal Year 2019 (FY2019) and a second in FY2021. The first rate change was approved by the KPUB Board in September 2018. The second rate change originally scheduled for FY2021 has not been implemented. Staff is requesting implementation of the recommended second rate change in November 2023.

The proposed changes include adjustments to the Commercial Service Rate Schedule CS and the Large Commercial Service Rate Schedule LCS. In accordance with UFS and staff's recommendation, the Contract Commercial Service Rate Schedule CS, will be eliminated. Instead, customers on that rate schedule will be moved to the appropriate standard rate schedule (Large Commercial Service Rate Schedule LCS or Commercial Service Rate Schedule CS).

If there was no change to the power cost adjustment, UFS calculated that the new rates would increase KPUB revenues by 1.9% for Commercial Service customers, 2.1% to 2.3% for Large Commercial Service customers and 9.2% to 9.6% for Contract customers. However, some of the impact will be offset by a 3.4% decrease in the power cost adjustment factor.

Staff recommends approval of the recommended rate structure effective as of November 1, 2023. Attached to this memo please find:

1. Resolution 23-15, including revised tariff as Exhibit A
2. Redlined tariff
3. Rate Design Study from UFS



Sincerely,

Amy Dozier
Director of Finance

RESOLUTION NO. 23-15

A RESOLUTION OF THE KERRVILLE PUBLIC UTILITY BOARD APPROVING AND ADOPTING THE REVISION OF THE ELECTRIC RATES CHARGED BY KPUB TO ITS COMMERCIAL CUSTOMERS.

WHEREAS, in 2017, the KPUB staff recommended and the Board approved the hiring of the firm Utility Financial Solutions (UFS) to perform a Cost of Service Study; and

WHEREAS, on January 24, 2018, Mrs. Dawn Lund of UFS presented the company's Draft Cost of Service Study and Rate Design Reports to the Board with her recommended changes; and

WHEREAS, on August 28, 2018, KPUB Staff presented the Final Cost of Service Study and Rate Design Reports from UFS recommending two rate changes, one in Fiscal Year 2019 and a second in Fiscal Year 2021; and

WHEREAS, the KPUB Board approved resolution 18-14 revising commercial rates according to the first stage of the rate design plan on September 26, 2018; and

WHEREAS, the second stage of the rate design plan recommended for Fiscal Year 2021 has not yet been implemented; now, therefore,

BE IT RESOLVED BY THE KERRVILLE PUBLIC UTILITY BOARD THAT:

Section 1. The above recitals are true and correct.

Section 2. The Board approves the revised Commercial Rate Tariff, Rate Schedule CS, and Large Commercial Rate Tariff, Rate Schedule LCS, attached hereto as Exhibit A, as recommended by UFS and Staff.

Section 3. The Board eliminates the Contract Commercial Service Rate Tariff, Rate Schedule CCS, as recommended by UFS. Those customers will be transferred to the appropriate rate schedule (Large Commercial Service Rate Schedule LCS or Commercial Service Rate Schedule CS).

Section 4. These revised rates shall become effective on November 1, 2023.

PASSED, APPROVED AND ADOPTED on this 20th day of September, 2023

Mark Cowden, Chairman

ATTEST:

Bill Thomas, Secretary

EXHIBIT A

COMMERCIAL SERVICE RATE SCHEDULE - CS

APPLICATION

Applicable throughout the service area to all electric service required for lighting, power and any other purpose, other than residential service as defined in Rate Schedule – RS.

Not applicable to standby, shared, or resale service.

CHARACTER OF SERVICE

Service under this rate schedule shall be alternating current, 60 Hertz, single or three phase, at the customer's option of standard available secondary voltages.

MONTHLY RATE

CHARGE			AMOUNT
CUSTOMER CHARGE			\$31.50
DISTRIBUTION for Energy less or equal to 2500 kWh	Energy	All kWh	\$0.01873 per kWh
DISTRIBUTION for Energy greater than 2500 kWh	Energy	All kWh	\$0.01523 per kWh
	Demand	All kW	\$1.00 per kW
POWER SUPPLY		All kWh	\$0.04228 per kWh

Plus an amount calculated in accordance with Rider PCAF.

Plus any taxes, assessments, or surcharges imposed by any governmental authority, which are assessed on the basis of revenues from electric service or volume of electricity purchased or sold.

DEMAND DETERMINATION

The billing demand each month shall be the greater of:

- a) The highest kW recorded at the point of delivery in any 30 minute period during the current month
- b) 70% of the highest billing demand during the immediately preceding 11 months
- c) 50% of the contract kW specified in the Agreement for Electric Service (waived after two years).

The billing demand shall be adjusted to an equivalent 90% power factor when the power factor measured at the time of highest kW is less than 90%.

MINIMUM CHARGE

The monthly minimum charge shall be the sum of the "Customer Charge", the "Demand Charge", and all applicable rate adjustments.

PAYMENT

Bills are due when rendered and become past due if not paid within sixteen (16) days thereafter. Past due bills shall be assessed a one time penalty charge of 5% of the unpaid amount.

AGREEMENT

An Agreement for Electric Service with a minimum term of one year is required for customers having or expecting to have maximum electrical loads of 50 kW or more.

LARGE COMMERCIAL SERVICE **RATE SCHEDULE - LCS**

APPLICATION

Applicable throughout the service area to all electric service required for lighting, power and any other purpose, other than residential service as defined in Rate Schedule - RS, where the maximum demand in any month is 400 kW or greater and for which no specific rate schedule is available. Customers under this rate class may also elect to be served under the Commercial Service Rate Schedule - CS. Customers may not switch between rate schedules more than once in any twelve (12) month period.

Not applicable to temporary, standby, shared, or resale service.

CHARACTER OF SERVICE

Service under this rate schedule shall be alternating current, 60 Hertz, three phase, at the customer's option of standard available voltages.

MONTHLY RATE

CHARGE			AMOUNT	
			Secondary Voltage (LCS-S)	Primary Voltage (LCS-P)
CUSTOMER CHARGE			\$230.00	\$230.00
DISTRIBUTION	Energy	All kWh	\$0.00220 per kWh	\$0.00287 per kWh
	Demand	All kW	\$7.50 per kW	\$7.50 per kW
POWER SUPPLY		All kWh	\$0.03351 per kWh	\$0.03030 per kWh

Plus an amount calculated in accordance with Rider PCAF.

Plus any taxes, assessments, or surcharges imposed by any governmental authority, which are assessed on the basis of revenues from electric service or volume of electricity purchased or sold.

DEMAND DETERMINATION

The billing demand each month shall be the greater of:

- a) The highest kW recorded at the point of delivery in any 30 minute period during the current month
- b) 70% of the highest billing demand during the immediately preceding 11 months
- c) 325 kW
- d) 50% of the contract kW specified in the Agreement for Electric Service (waived after two years).

The billing demand shall be adjusted to an equivalent 90% power factor when the power factor measured at the time of highest kW is less than 90%.

MINIMUM CHARGE

The monthly minimum charge shall be the sum of the "Customer Charge", the "Demand Charge", and all applicable rate adjustments.

PAYMENT

Bills are due when rendered and become past due if not paid within sixteen (16) days thereafter. Past due bills shall be assessed a one time penalty charge of 5% of the unpaid amount.

AGREEMENT

Service under this rate schedule requires that the customer execute a contract for a minimum term of one year for a specified contract demand.

**COMMERCIAL SERVICE
RATE SCHEDULE - CS**

APPLICATION

Applicable throughout the service area to all electric service required for lighting, power and any other purpose, other than residential service as defined in Rate Schedule – RS.

Not applicable to standby, shared, or resale service.

CHARACTER OF SERVICE

Service under this rate schedule shall be alternating current, 60 Hertz, single or three phase, at the customer’s option of standard available secondary voltages.

MONTHLY RATE

<i>CHARGE</i>			<i>AMOUNT</i>
CUSTOMER CHARGE			\$31.5022.00
DISTRIBUTION for Energy less or equal to 2500 kWh	Energy	All kWh	\$0.01 873953 per kWh
DISTRIBUTION for Energy greater than 2500 kWh	Energy	All kWh	\$0.01 523633 per kWh
	Demand	All kW	\$1.00 per kW
POWER SUPPLY		All kWh	\$0.04228 per kWh

Plus an amount calculated in accordance with Rider PCAF.

Plus any taxes, assessments, or surcharges imposed by any governmental authority, which are assessed on the basis of revenues from electric service or volume of electricity purchased or sold.

DEMAND DETERMINATION

The billing demand each month shall be the greater of:

- a) The highest kW recorded at the point of delivery in any 30 minute period during the current month
- b) 70% of the highest billing demand during the immediately preceding 11 months
- c) 50% of the contract kW specified in the Agreement for Electric Service (waived after two years).

The billing demand shall be adjusted to an equivalent 90% power factor when the power factor measured at the time of highest kW is less than 90%.

MINIMUM CHARGE

The monthly minimum charge shall be the sum of the "Customer Charge", the "Demand Charge", and all applicable rate adjustments.

PAYMENT

Bills are due when rendered and become past due if not paid within sixteen (16) days thereafter. Past due bills shall be assessed a one time penalty charge of 5% of the unpaid amount.

AGREEMENT

An Agreement for Electric Service with a minimum term of one year is required for customers having or expecting to have maximum electrical loads of 50 kW or more.

**LARGE COMMERCIAL SERVICE
RATE SCHEDULE - LCS**

APPLICATION

Applicable throughout the service area to all electric service required for lighting, power and any other purpose, other than residential service as defined in Rate Schedule - RS, where the maximum demand in any month is 400 kW or greater and for which no specific rate schedule is available. Customers under this rate class may also elect to be served under the Commercial Service Rate Schedule - CS. Customers may not switch between rate schedules more than once in any twelve (12) month period.

Not applicable to temporary, standby, shared, or resale service.

CHARACTER OF SERVICE

Service under this rate schedule shall be alternating current, 60 Hertz, three phase, at the customer's option of standard available voltages.

MONTHLY RATE

<i>CHARGE</i>			<i>AMOUNT</i>	
			Secondary Voltage (LCS-S)	Primary Voltage (LCS-P)
CUSTOMER CHARGE			\$ 230 180.00	\$ 230 180.00
DISTRIBUTION	Energy	All kWh	\$0.00 22 410 per kWh	\$0.00 28 7442 per kWh
	Demand	All kW	\$ 7 8.50 per kW	\$ 7 8.50 per kW
POWER SUPPLY		All kWh	\$0.0 33 512971 per kWh	\$0.0 30 302720 per kWh

Plus an amount calculated in accordance with Rider PCAF.

Plus any taxes, assessments, or surcharges imposed by any governmental authority, which are assessed on the basis of revenues from electric service or volume of electricity purchased or sold.

DEMAND DETERMINATION

The billing demand each month shall be the greater of:

- a) The highest kW recorded at the point of delivery in any 30 minute period during the current month
- b) 70% of the highest billing demand during the immediately preceding 11 months
- c) 325 kW
- d) 50% of the contract kW specified in the Agreement for Electric Service (waived after two years).

The billing demand shall be adjusted to an equivalent 90% power factor when the power factor measured at the time of highest kW is less than 90%.

MINIMUM CHARGE

The monthly minimum charge shall be the sum of the "Customer Charge", the "Demand Charge", and all applicable rate adjustments.

PAYMENT

Bills are due when rendered and become past due if not paid within sixteen (16) days thereafter. Past due bills shall be assessed a one time penalty charge of 5% of the unpaid amount.

AGREEMENT

Service under this rate schedule requires that the customer execute a contract for a minimum term of one year for a specified contract demand.

THIS RATE SCHEDULE IS ELIMINATED ENTIRELY
CONTRACT COMMERCIAL SERVICE
RATE SCHEDULE - CCS

APPLICATION

Applicable throughout the service area to all electric service required for lighting, power and any other purpose, other than residential service as defined in Rate Schedule - RS, and for those customers meeting all the following requirements:

1. customer must execute a contract for provision of service under this tariff
2. service under this tariff may be obtained by a single customer at a single point of delivery or by a single customer at multiple locations
3. customer shall consume, or reasonably expect to consume, during the term of the contract at least 50kW, as measured by summing the coincident peak demands of all the point of deliveries covered by the contract
4. The term of the contract shall be for a definite period, as agreed to by KPUB and Customer, but shall not be less than 5 years.

Customers under this rate class may also elect to be served under the Commercial Service Rate Schedule - CS or the Large Commercial Service - Rate Schedule LCS if minimum load requirements are met. Customers may not switch between rate schedules more than once in any twelve (12) month period.

Not applicable to temporary, standby, shared, or resale service.

CHARACTER OF SERVICE

Service under this rate schedule shall be alternating current, 60 Hertz, three phase, at the customer's option of standard available voltages.

Service shall be firm, interruptible, or a combination of firm and interruptible, as agreed to by KPUB and Customer.

MONTHLY RATE

<i>MONTHLY CHARGE</i>			<i>AMOUNT</i>	
			Secondary Voltage (CCS-S)	Primary Voltage (CCS-P)
CUSTOMER CHARGE			\$180.00	\$180.00
DISTRIBUTION	Energy	All kWh	\$0.00720 per kWh	\$0.00442 per kWh
	Demand	All kW	\$6.50 per kW	\$6.50 per kW
POWER SUPPLY		All kWh	\$0.02971 per kWh	\$0.02720 per kWh

Plus an amount calculated in accordance with Rider PCAF.

Plus any taxes, assessments, or surcharges imposed by any governmental authority, which are assessed on the basis of revenues from electric service or volume of electricity purchased or sold.

DEMAND DETERMINATION

The billing demand each month shall be the greater of:

- a) The highest kW recorded at the point of delivery in any 30 minute period during the current month
- b) 70% of the highest billing demand during the immediately preceding 11 months
- c) 50% of the contract kW specified in the Exhibit A to the Agreement for Contract Retail Electric Service (waived after two years).

MINIMUM CHARGE

The monthly minimum charge shall be the sum of the "Customer Charge", the "Demand Charge", and all applicable rate adjustments.

**Kerrville Public Utility Board
Final 2021 Rate Design**

Customer Class	Current Revenues	Proposed Revenue	Percent Change
Residential	\$ 19,795,879	\$ 20,199,169	2.0%
Outdoor Area Lighting	245,730	248,187	1.0%
Street Lighting	264,529	269,820	2.0%
Commercial Service	12,503,020	12,737,272	1.9%
Large Commercial Service Secondary	930,180	951,252	2.3%
Large Commercial Service Primary	484,673	495,016	2.1%
Contract Secondary	1,844,039	2,020,784	9.6%
Contract Primary	360,462	393,575	9.2%
Total	36,428,514	\$ 37,315,076	2.4%
Total Without Contract Rates	34,224,012	34,900,718	2.0%

Kerrville Public Utility Board
2021 Rate Design
 Commercial Service

Current Rate

Winter Rate	Meter Charge
Summer	Meter Reading Charge
	Billing Charge
	Total

Customer Charge	Distribution 2500 KWh's	Distribution Over 2500	Distribution Over (KW)	Power Supply All KWh's	Calc by Utility Formula	Estimated PCAF
\$ 6.50	\$ 0.0195	\$ 0.0163	\$ 1.00	\$ 0.04228		\$ 0.02114
\$ 2.50	\$ 0.0195	\$ 0.0163	\$ 1.00	\$ 0.04228		\$ 0.02114
\$ 13.00						
\$ 22.00						

Proposed Rate

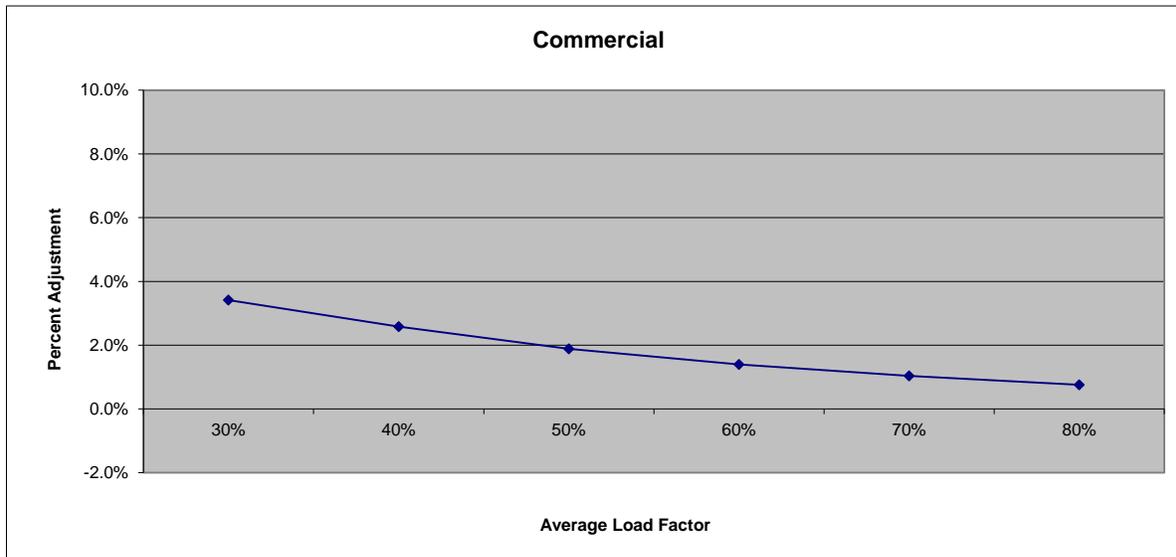
Winter Rate	Meter Charge
Summer	Meter Reading Charge
	Billing, Services, CS, Dist
	Total

Customer Charge	Distribution 2500 KWh's	Distribution Over 2500	Distribution Over (KW)	Power Supply All KWh's	Calc by Utility Formula	Estimated PCAF
\$ 6.50	\$ 0.018730	\$ 0.015230	\$ 1.00	\$ 0.04228		\$ 0.02114
\$ 2.50	\$ 0.018730	\$ 0.015230	\$ 1.00	\$ 0.04228		\$ 0.02114
\$ 22.50						
\$ 31.50						

Cost of Service 30.66

Total Without Contract Rates

Current Revenues	12,503,020
Proposed Revenues	12,737,272
Percentage Change	1.9%



Kerrville Public Utility Board 2021 Rate Design

Large Commercial Service Secondary

		Customer Charge	Distribution All KWh's	Distribution All KW	Power Supply Secondary	Calc by Utility Formula	
						Estimated PCAF	
Current Rate							
Winter Rate	Meter Charge	\$ 74.00	\$ 0.00410	\$ 8.50	\$ 0.02971	\$	0.01486
Summer	Meter Reading Charge	\$ 32.00	\$ 0.00410	\$ 8.50	\$ 0.02971	\$	0.01486
	Billing Charge	\$ 74.00					
	Total	\$ 180.00					

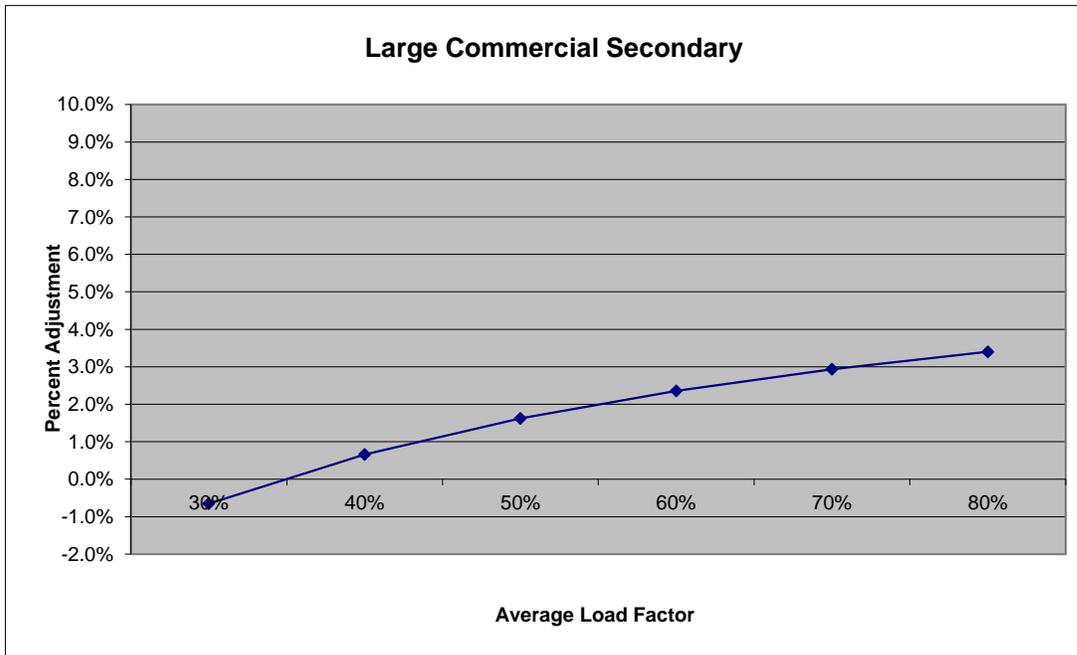
AVG LF 61%

		Customer Charge	Distribution All KWh's	Distribution All KW	Power Supply Secondary	Calc by Utility Formula	
						Estimated PCAF	
Proposed Rate							
Winter Rate	Meter Charge	\$ 74.00	\$ 0.00220	\$ 7.50	\$ 0.03351	\$	0.01676
Summer	Meter Reading Charge	\$ 32.00	\$ 0.00220	\$ 7.50	\$ 0.03351	\$	0.01676
	Billing Charge	\$ 124.00					
	Total	\$ 230.00					

Cost of Service	\$ 497.33
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Total Without Contract Rates

Current Revenues	930,180
Proposed Revenues	951,252
Percentage Change	2.3%



Kerrville Public Utility Board

2021 Rate Design

Large Commercial Service Primary

		Customer Charge	Distribution All KWh's	Distribution All KW	Power Supply Primary	Calc by Utility Formula	
						Estimated PCAF	
Current Rate	Meter Charge	\$ 74.00	\$ 0.00442	\$ 8.50	\$ 0.02720	\$	0.01360
	Meter Reading Charge	\$ 32.00	\$ 0.00442	\$ 8.50	\$ 0.02720	\$	0.01360
	Billing Charge	\$ 74.00					
	Total	\$ 180.00					

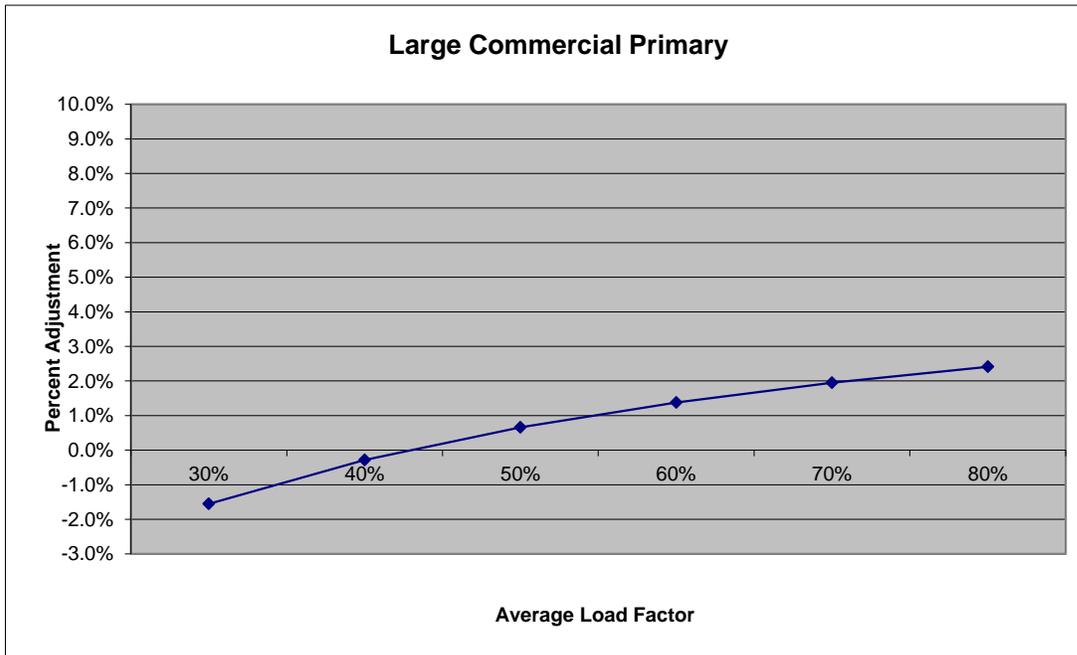
75% LF

		Customer Charge	Distribution All KWh's	Distribution All KW	Power Supply Primary	Calc by Utility Formula	
						Estimated PCAF	
Proposed Rate	Meter Charge	\$ 74.00	\$ 0.00287	\$ 7.50	\$ 0.03030	\$	0.01515
	Meter Reading Charge	\$ 32.00	\$ 0.00287	\$ 7.50	\$ 0.03030	\$	0.01515
	Billing Charge	\$ 124.00					
	Total	\$ 230.00					

Cost of Service \$ 385.98

Total Without Contract Rates

Current Revenues	484,673
Proposed Revenues	495,016
Percentage Change	2.1%



Kerrville Public Utility Board
2021 Rate Design
 Contract Secondary

Current Rate

Winter Rate	Meter Charge
Summer	Meter Reading Charge
	Billing Charge
	Total

Customer Charge	Distribution All KWh's	Distribution All KW	Power Supply Secondary	Calc by Utility Formula Estimated PCA
\$ 74.00	\$ 0.00720	\$ 6.50	\$ 0.02971	\$ 0.01176
\$ 32.00	\$ 0.00720	\$ 6.50	\$ 0.02971	\$ 0.01176
\$ 74.00				
\$ 180.00				

LF 55%

Proposed Rate

Winter Rate	Meter Charge
Summer	Meter Reading Charge
	Billing Charge
	Total

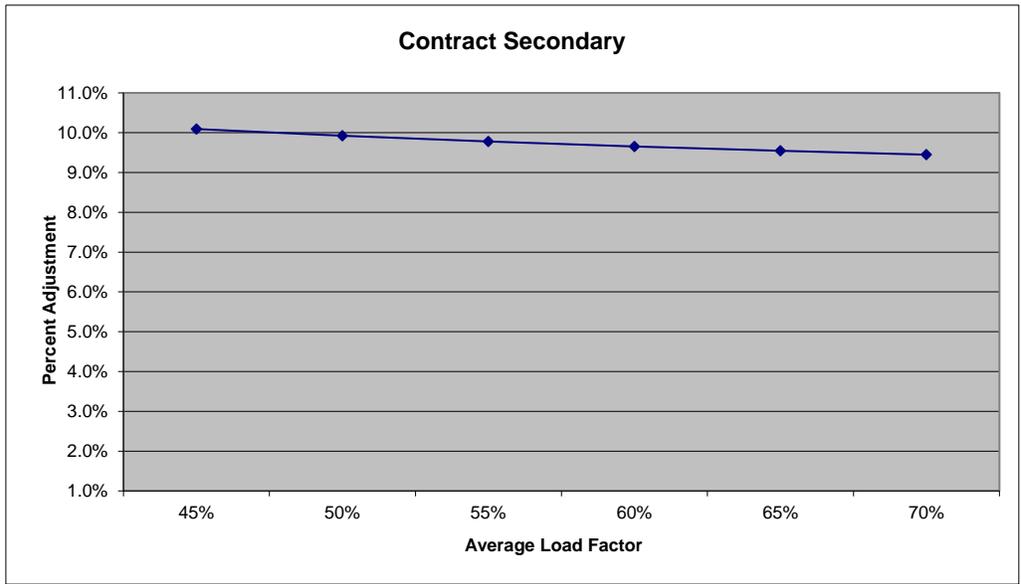
Customer Charge	Distribution All KWh's	Distribution All KW	Power Supply Secondary	Calc by Utility Formula Estimated PCA
\$ 74.00	\$ 0.00220	\$ 7.50	\$ 0.03351	\$ 0.01676
\$ 32.00	\$ 0.00220	\$ 7.50	\$ 0.03351	\$ 0.01676
\$ 124.00				
\$ 230.00				

Cost of Service 166.27

Total Without Contract Rates

Estimated Change in Revenues

Current Revenues	1,844,039
Proposed Revenues	2,020,784
Percentage Change	9.6%



Kerrville Public Utility Board
2021 Rate Design
 Contract Primary

Current Rate

Winter Rate	Meter Charge
Summer	Meter Reading Charge
	Billing Charge
	Total

Customer Charge	Distribution All KWh's	Distribution All KW	Power Supply Primary	Calc by Utility Formula
				Estimated PCAF
\$ 74.00	\$ 0.00442	\$ 6.50	\$ 0.02720	\$ 0.01360
\$ 32.00	\$ 0.00442	\$ 6.50	\$ 0.02720	\$ 0.01360
\$ 74.00				
\$ 180.00				

LF 50%

Proposed Rate

Winter Rate	Meter Charge
Summer	Meter Reading Charge
	Billing Charge
	Total

Customer Charge	Distribution All KWh's	Distribution All KW	Power Supply Primary	Calc by Utility Formula
				Estimated PCAF
\$ 74.00	\$ 0.00287	\$ 7.50	\$ 0.03030	\$ 0.01515
\$ 32.00	\$ 0.00287	\$ 7.50	\$ 0.03030	\$ 0.01515
\$ 124.00				
\$ 230.00				

Cost of Service	273.97
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Total Without Contract Rates

Current Revenues	360,462
Proposed Revenues	393,575
Percentage Change	9.2%

