

**MINUTES OF THE
KERRVILLE PUBLIC UTILITY BOARD
REGULAR MONTHLY MEETING
WEDNESDAY, NOVEMBER 15, 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
Jill Cook, Accounting Supervisor
Lidia S. Goldthorn, Assistant Secretary to the Board

TRUSTEES ABSENT:

OTHERS PRESENT:

Stephen Schulte, Legal Counsel
Gaines Griffin, Special Counsel (*Via teleconference*)

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:

Mr. Wittler highlighted Joseph Buenrostro as the staff spotlight for the month. Mr. Buenrostro has been with KPUB for seven years. Mr. Wittler advised KPUB received the Government Finance Officers Association Award for Excellence in Financial Reporting; which KPUB has received for the 30th consecutive time. He also highlighted participation in events including Habitat for Humanity Golf Tournament, Family Fright Night, Doyle Community Resource Fair, Light on the Hill Harvest Festival and Food Pantry. KPUB also successfully hosted the Community Weatherization Event with AACOG. Upcoming community events include Thanksgiving Meal Prep for November 20th, Food Pantry on November 27th and Salvation Army Bell Ringing on December 14th. KPUB received two national awards from APPA for its public power communications at the Customer Service Conference. Mr. Wittler noted the following upcoming board meetings tentatively scheduled for:

- *Wednesday, December 13, 2023 at 8:30 a.m.*
- *Wednesday, January 17, 2024 at 8:30 a.m.*
- *Wednesday, February 21, 2024 at 8:30 a.m.*

5. CONSENT AGENDA:

Larry Howard, Vice Chairman, made a motion to accept items in the consent agenda. Glenn Andrew, Treasurer, seconded the motion. Vote was by a show of hands. Motion carried 5 – 0.

5A. APPROVAL OF MINUTES.

5B. RESOLUTION NO. 23-17 – AMY DOZIER, DIRECTOR OF FINANCE. A Resolution approving payment to various providers of services or supplies.

END OF CONSENT AGENDA

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

Ms. Dozier presented the final financial statements for the month of September 2023. Ms. Dozier noted a \$4.4M increase in net position; \$42.2M in operating revenue; \$38.8M in operating expense; \$3.4M in operating income; \$12.5M in over collection of power cost adjustment as of September 30, 2023; and \$40.6M invested in investment pools, and an investment account at Happy State Bank. She advised the Board will receive a draft of KPUB’s annual report in December. KPUB’s auditors, BSG&M, will present the annual report at January’s Board meeting.

Ms. Dozier then presented the financial statements for the month of October 2023. She noted a \$152K increase in net position; \$2.0M in operating revenue; \$2.0M in operating expense; \$7.8K in operating loss; \$14.8M in over collection of power cost adjustment as of October 31, 2023; and \$42.8M invested in municipal investment pools, and a demand account at Happy State Bank. The account at Happy State Bank is completely liquid, fully collateralized, and earning 5.54% as of November 9, 2023. Rates in the investment pool accounts are 5.56% at LOGIC and 5.36% at TexPool as of November 9, 2023. She added that a new rate structure was implemented on November 1, 2023. The overall residential bill for 1,000 kWh of power remains at \$102.50, but the power cost portion of the bill was reduced from \$72.95 to \$70.45 by reducing the power cost adjustment factor. Over-collection will continue to be monitored closely, however, staff expects to see power costs increase over the next few months. Ms. Dozier further advised that prices in the ERCOT real time market are considerably lower in the mild fall months, which means KPUB does not expect to receive large receipts related to the sale of renewable power. Ms. Dozier also provided a power point presentation with highlights and financial metrics from her memo.

7. CONSIDERATION AND ACTION ON SEPTEMBER QUARTERLY FUNDS REPORT – AMY DOZIER, DIRECTOR OF FINANCE:

Ms. Dozier presented summary information from the Quarterly Funds Report. She advised that as of September 30, 2023, KPUB had \$40.6M invested in municipal investment pools and demand accounts at Happy State Bank. The majority of the funds (\$21.3M) are held in demand accounts at Happy State Bank. These accounts are fully collateralized, completely liquid and earning 5.54% as of November 9, 2023. Investments were discussed with the Investment Committee following the October Board meeting. Due to the growing balance in KPUB’s investment accounts, the committee discussed looking at rates on short term investments in the six to nine-month range. If rates are materially better than the municipal pool or Happy rates, staff will consider investing a portion in something that is not completely liquid. The

overall plan is still to hold the majority of investments in completely liquid and fully collateralized investments at favorable rates until pending litigation is resolved. Mr. Andrew motioned to accept the quarterly funds report as presented. Mr. Howard seconded the motion. Vote was by a show of hands. Motion carried 5 – 0.

**Mr. Wittler requested Chairman Cowden proceed to item number 9 (Executive Session) on the Agenda. The Board agreed and Chairman Cowden proceeded to item number 9.*

9. 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
- B. Related to plans, studies, proposals, and analyses for system improvements, additions, or sales
 - (1) Discussion and Possible Action on plans, studies, proposals and analyses for potential expansion of infrastructure and service – Mike Wittler, CEO

Mr. Howard 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. Mayor Judy Eychner 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 9:55 a.m.

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

No action taken by the Board.

**At this time, Chairman Cowden elected to proceed to item number 8 on the Agenda. The Board agreed and Chairman Cowden proceeded to item number 8.*

8. PRESENTATION OF TOP WORK PLACE AWARD – TAMMYE RILEY, DIRECTOR OF OPERATIONS:

Ms. Riley advised that in September, KPUB was designated as a 2023 Top Workplace employer by the San Antonio Express News. Earlier this year an independent and confidential survey was sent out to our employees requesting feedback on their experience as a KPUB employee. Categories of the workplace experience that were included in the survey were, alignment, empowerment, ability to grow, value, engagement, and respect and support. There was a 75% participation rate and the survey results indicated that KPUB has an overall employee engagement rate of 83%. Employee Engagement is when employees are highly motivated, committed to staying and willing to recruit others. This engagement score makes us both proud of where we are at and excited with the opportunity to improve those results in the years to come. Ms. Riley added that some of the strengths to note were Execution: Employees think things run efficiently and well; and Direction: Employees believe the organization is going in the right direction. Ms. Riley presented slides with additional details for the Board’s review. Mr. Wittler praised Ms. Riley for her efforts and leadership.

11. PRESENTATION FROM AMERICAN PUBLIC POWER ASSOCIATION GOVERNANCE ESSENTIALS – MIKE WITTLER, CEO:

Mr. Wittler presented a short video from an American Public Power Association Governance Essentials series for the Board to watch as an additional resource for Board Members to have.

12. ADJOURNMENT

Chairman Cowden adjourned the Regular Board Meeting at 10:40 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: December 6, 2023

Re: Agenda Item No. 5B – Resolution No. 23-18

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 November 10, 2023 and December 6, 2023 for Board approval:

	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>	<u>Date</u>
Purchased Power:				
1	NextEra	October 2023	485,088.00	11/17/2023
2	ERCOT	Monthly - December 2023	45,709.89	11/21/2023
3	CPS	October 2023	777,980.53	11/22/2023
4	DG Solar	October 2023	46,747.84	11/24/2023
5	Engie	October 2023	79,543.68	11/29/2023
6	Garland	October 2023	41,504.85	11/29/2023
7	LCRA	October 2023	646,477.55	11/30/2023
Payroll:				
1	Payroll	Pay period ending 11/04/2023	140,881.72	11/10/2023
2	Payroll	Pay period ending 11/18/2023	143,107.87	11/24/2023
3	Payroll Taxes	Pay period ending 11/04/2023	50,912.01	11/15/2023
4	Payroll Taxes	Pay period ending 11/18/2023	51,326.46	11/29/2023
Employee Benefits:				
1	TML	Health Insurance - December	81,045.17	12/01/2023
2	TMRS	Pension - October Payroll	81,642.01	11/14/2023
Investment Transfers (from Operating Account to Investment Account at Happy State Bank):				
1	Happy State Bank	Investment Transfer	500,000.00	11/10/2023
2	Happy State Bank	Investment Transfer	500,000.00	11/15/2023
3	Happy State Bank	Investment Transfer	500,000.00	11/22/2023
4	Happy State Bank	Investment Transfer	400,000.00	11/27/2023
5	Happy State Bank	Investment Transfer	600,000.00	11/30/2023

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

Sincerely,

A handwritten signature in blue ink that reads "Amy Dozier". The signature is written in a cursive style with a large initial "A".

Amy Dozier
Director of Finance

RESOLUTION NO. 23-18

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 13th day of December, 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: December 7, 2022

Re: Agenda Item No. 6D – Investment Policy

Resolution No. 22-19 and Board Policy 44 – Investment Policy and Strategy (Policy) are presented for your consideration. The Public Funds Investment Act (Act) requires an annual review and adoption of an investment policy and authorized brokers and dealers.

This year, KPUB's policy was reviewed by:

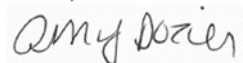
1. **Steve Schulte**, Attorney. As KPUB's General Counsel, Steve reviewed and approved the attached investment policy as to form.
2. **Stephanie Leibe**, Partner at Fulbright & Jaworski. As KPUB's Bond Counsel, Stephanie reviewed and approved the attached investment policy for legality and content.

A final and red-lined version of the proposed policy is attached. Changes to the policy include:

- Revised language stating that investment officers will comply with training requirements under state law instead of listing the requirements. The revised language means that the policy will be compliant with state law even if the legislature makes changes to the training requirements.
- Similar to the training change, revised language in the reporting section to refer to requirements in the Act, rather than list them in the policy.
- Removed the annual report since the Act only requires quarterly reports. This is consistent with the City of Kerrville's policy as well.
- Removed an internal compliance audit sentence since the audit required by the Act is done by an external auditor and the compliance is verified by the Investment Officer each quarter as part of the quarterly report.

Staff recommends approval of Resolution No. 22-19.

Sincerely,



Amy Dozier
Director of Finance

KERRVILLE PUBLIC UTILITY BOARD

BOARD POLICY 44

Title: Investment Policy and Strategy

Effective Date: December ~~13~~⁴, 202~~3~~²

Replaces: December ~~14~~⁵-202~~2~~¹

Resolution No. ~~23-192-19~~

Resolution No. ~~22-191-31~~

44.00 SCOPE

This investment policy (the "Policy") applies to all the financial assets of Kerrville Public Utility Board ("KPUB"), its investment activities and bank depository agreements. All funds shall be administered in accordance with the provision of this Policy. All other funds which may be created are included under this Policy unless specifically excluded by the Board of Trustees (the "Board"). This Policy does not apply to funds managed under separate pension investment programs.

44.10 POLICY STATEMENT

The KPUB's investments will be made in accordance with applicable laws, Board policies, this Policy, and the restrictions in current KPUB bond ordinances and resolutions. Selection of brokerage firms must be approved by the Board annually. Local investment pools in which the KPUB participates shall be approved by action of the Board. Investment of KPUB funds will be transacted in accordance with the Texas Public Funds Investment Act Chapter 2256, as amended, Texas Government Code (the "Act"). Depository collateral shall be controlled under the terms of the Texas Public Funds Collateral Act Chapter 2257, as amended, Texas Government Code. Effective cash management is recognized as a foundation of this Policy. The Director of Finance is responsible for implementing this Policy.

44.20 OBJECTIVES

The primary objective of KPUB's investment activity is the preservation and safety of principal and maintenance of sufficient liquidity to meet anticipated expenditures. The objectives shall also include diversification and attainment of reasonable yield subject to compliance with this policy and the Internal Revenue Code of 1986, as amended, within the cash flow constraints of KPUB.

Each investment decision shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value. KPUB's investment portfolio will remain sufficiently liquid to meet KPUB's operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by

investing in securities with active secondary markets as well as maintaining a minimum one-month liquidity buffer.

44.21 KPUB's portfolio shall be invested in high-credit quality securities. Funds shall be diversified to manage market price risks and default risks that would jeopardize the assets available to accomplish their stated objective. Funds shall never be invested in a manner inconsistent with this Policy and applicable federal and state laws and regulations.

44.22 All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in KPUB. The Board recognizes that in a diversified portfolio, occasional measured unrealized losses due to market volatility are inevitable and must be considered within the context of the overall portfolio's investment market value, provided that adequate diversification has been implemented. Strict adherence to provisions of Bond Ordinance No. 2013-21, or to any subsequent revenue bond ordinance, shall always apply.

44.30 ASSIGNMENT OF RESPONSIBILITIES

44.31 KPUB Board

The KPUB Board retains the ultimate fiduciary responsibility for the investment of its funds (Section 2256.005(f) of the Act). The Board will:

- adopt a written investment policy and strategy statement at least annually,
- designate investment officers,
- adopt a list of authorized broker/dealers at least annually,
- designate an investment committee, and
- accept quarterly investment reports.

44.32 Investment Committee

There is hereby created an Investment Committee, consisting of the General Manager and Chief Executive Officer, Director of Finance and two KPUB Trustees.

The Investment Committee shall meet at least quarterly to determine general strategies and to monitor results. The Investment Committee shall include in its deliberations such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to KPUB's funds, authorized investment advisors and broker/ dealers, and appropriate competitive and reasonable benchmarks for the investment portfolio. The Investment Committee may approve the broker/dealer list annually and approve the sources for investment training. The Investment Committee shall report to the Board after each quarterly meeting and submit the Investment Officer's report on investment activities for the past quarter. The Investment Committee shall establish its own rules or procedures, compliant with this Policy and schedule additional meetings when deemed necessary.

44.33

Investment Officers

The Director of Finance and Supervisor of Accounting ~~Supervisor~~ are designated as the Investment Officers for KPUB. Management responsibility for the investment program is hereby delegated to the Director of Finance, who shall establish written procedures for the operation of the investment program, consistent with this Policy. Such procedures shall include explicit delegation of authority to subordinate staff processing investment transactions. No persons may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Director of Finance. The Director of Finance shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate staff. The Investment Officer shall disclose relationships by blood or marriage and any "personal business relationship" with sellers of investments to both the Board as determined by Chapter 573, Texas Government Code, and to the Texas Ethics Commission as defined in the Act (Section 2256.005(i)) if required by the Act. The Investment Officer shall also file a conflict disclosure statement with respect to a vendor, as applicable and pursuant to Chapter 176, Texas Local Government Code, as amended, and any conflict disclosure statement required by the Board.

44.34

Investment Advisor

KPUB may retain the services of an Investment Advisor to assist in the review of cash flow requirements, the formulation of investment strategies and the execution of security purchases, sales and deliveries.

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44.354

Standard of Care

Investments shall be made with exercise of judgment and due care under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs. ~~Investments shall not be speculative, but for investment, and will consider the probable safety of their capital as well as the probable income to be derived.~~ Investment of funds shall be governed by the following principles, in order of priority:

- (1) Preservation and safety of capital (including diversification),
- (2) Liquidity,
- (3) Yield.

44.365

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict (or have the appearance of conflict) with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

44.376

Officer Training

All designated Investment Officers shall comply with training requirements under state law.

44.40 REPORTING

The Director of Finance, as the Investment Officer, shall submit quarterly, or more often as directed by the Board, an investment report to the General Manager and Chief Executive Officer, and the Board. The report shall include all items required by the Act (Section 2256.023) and shall summarize the investment strategies

employed in the most recent quarter. The Director of Finance and Supervisor of Accounting shall sign and certify that the report represents compliance with this Investment Policy and the Act.

44.41 Audits

Yearly audits must be made of compliance with the management controls on investments and with the Act. The quarterly investment reports must be formally reviewed annually by an independent auditor for compliance with the Act and the results of the review reported to the Board.

44.50 AUTHORIZED INVESTMENTS

Assets or funds of KPUB may be invested only in the following investments. New investment types authorized by Texas law will not be authorized for KPUB until this Policy is reviewed, amended, and adopted by the Board. Except as provided by Chapter 2270 of the Texas Government Code, KPUB is not required to liquidate investments that were authorized investments at the time of purchase. All investment transactions will be made on a competitive basis and all securities shall be delivered versus payment (“DVP”) to the KPUB contracted safekeeping institution.

- (a) Obligations of the United States or its agencies and instrumentalities excluding mortgage-backed securities with a maximum maturity of five years, as permitted by the Act (Section 2256.009), extending to ten years in construction funds;
- (b) Depository certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas with a maximum maturity of two (2) years, which are fully FDIC insured or collateralized in accordance with this policy and meet all further requirements as set forth in the Act (Section 2256.010(a)). This is to include those deposits placed through the Certificate of Deposit Account Registry Service (CDARS) and meeting all further requirements as set forth in the Act (Section 2256.010(b));
- (c) Fully NCUSIF insured share certificates from credit unions domiciled in the State of Texas meeting all other requirements set forth in the Act (Section 2256.010) with a maximum maturity of two (2) years;
- (d) Repurchase agreements collateralized only by cash and obligations of the

United States or its agencies and meeting all other requirements set forth in the Act (Section 2256.011). Flex repurchase agreements may be utilized for bond construction funds to match anticipated expenditure limits and may extend beyond five years to match anticipated expenditures. Section 2256.01~~90~~ limits reverse security repurchase agreements to 90 days;

- (e) Local government investment pools rated not less than AAA, or an equivalent rating by at least one nationally recognized rating service which strive to maintain a \$1 net asset value and meeting all other requirements of the Act (Section 2256.016). The Board must approve by resolution, participation in any pool;
- (f) Fully insured brokered certificate of deposit securities from any US state, delivered versus payment to KPUB safekeeping. The broker must be on the authorized broker/dealer list of KPUB and meet all other requirements set forth in the Act (Section 2256.010), including a main or branch office in Texas. Before purchase the Investment Officer must verify the FDIC status of the bank or banks;
- (g) Fully FDIC or NCUSIF insured or collateralized interest-bearing accounts of any bank or credit union doing business in Texas;
- (h) A1/P1 or equivalent rated domestic commercial paper with a maximum maturity of 270 days and meeting all other requirements of the Act (Section 2256.013); an AAA rated SEC-registered money market mutual funds which strive to maintain a \$1 net asset value and meets all other requirements set forth in the Act (Section 2256.014(a)).

The maximum allowable stated maturity of any individual investment owned by KPUB shall be not more than five years, extending to ten years in construction funds.

44.51 Mark-to-market

All individual securities held in the portfolio shall be marked to market and reported as of the close of business on the last day of each month. Market prices are to be obtained from an independent source.

44.52 Competitive Bidding

Individual security purchases and sales (excluding transactions with money market mutual funds, local government investment pools, and when issued securities) require at least three competitive offers or bids. Bids may be solicited orally, in writing, electronically, or in any combination of those methods.

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44.532

Delivery versus payment settlement

All securities shall be purchased using DVP so that no funds are released prior to receiving the security into safekeeping. The securities shall be delivered to KPUB's depository bank and held on behalf of KPUB. Safekeeping receipts/reports shall be delivered to KPUB. The depository should provide a monthly report of KPUB holdings.

44.60

HEDGING

This policy considers 2 types of hedges – market and internal. A market hedge would be used for investment purposes and purchased through an external broker. An internal hedge specifically relates to managing the price paid for purchased power using the terms of existing purchased power agreements.

44.61

Market Hedge

In accordance with the Act (Section 2256.0206) KPUB may enter hedging market contracts if it meets the principal and debt requirements as an "eligible entity." The Board must adopt a separate hedging policy prior to any hedging market transaction, and such transaction must be made in accordance with CFTC and SEC requirements. Hedging transactions may include financial agreements such as put and call options, producer price agreements, or futures contracts. A hedging market strategy should be utilized and reviewed quarterly by the Investment Committee.

44.62

Internal Hedge

In addition to market-based investment strategies for recognized funds, the Power Supply Committee may create and monitor an internal hedge strategy related to purchased power prices. Renewable energy sources (wind and solar) are designed to act as a hedge against purchased natural gas. In addition, an internal hedge may include natural gas price locks executed through the terms of KPUB's existing purchased power agreement with CPS Energy. Specific internal hedge strategies will be reviewed and approved at least semi-annually by the Power Supply Committee.

44.70

INVESTMENT STRATEGIES

Investments may be commingled for investment purposes while still addressing the unique needs of each defined fund. A pro-active laddered portfolio structure, based on anticipated cash flow needs, will be used to fund anticipated liabilities. The KPUB portfolio is designed as a buy-and-hold pro-active portfolio with minimal anticipated trading. The total portfolio shall have a maximum weighted average maturity of two years. Construction funds may have a maximum weighted average maturity of three years. The benchmarks for the total portfolio will be the comparable period two and three year Treasury Notes.

In accordance with this Policy's objectives, the fund type investment strategies address the following:

- 1) Suitability of investments,
- 2) Preservation and safety of principal,
- 3) Liquidity,
- 4) Potential marketability of investments in case of required liquidation, and
- 5) Diversification and yield considerations.

All designated fund investments must meet credit and safety criteria as required by the Act. Due to the overall short-term nature of the portfolio, involuntary investment liquidations are unlikely for any of the funds; however, should liquidations be necessary, the limited maturity of the securities should make material losses unlikely.

The various funds' investments will be structured to achieve competitive yields, given the pertinent liquidity requirements, and they will be compared against appropriately competitive and reasonable benchmarks. The overall portfolio shall not exceed a maximum weighted average maturity (WAM) of two (2) years.

44.71 Strategy by fund type

The Bond Ordinance No. 2013-21 requires a System Fund, a Bond (Interest and Sinking) Fund, and a Reserve (Debt Reserve) Fund. The Bond Ordinance requirements for amounts set aside in the Reserve Fund are suspended as long as the Pledged Revenues for each Fiscal Year are equal to at least 135% of the Average Annual Debt Service Requirements.

The Board has divided the System Fund into the following funds: Revenue Fund; Construction Fund; Emergency Repair, Replacement, and Contingency Fund; Rate Stabilization Fund; and Long Term Rate Stabilization Fund.

44.72 Revenue Fund

The Revenue Fund requires a high degree of liquidity to meet ongoing operational needs. High credit quality securities provide marketability should liquidity needs arise. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer.

44.73 Construction Fund

The Construction Fund is to be structured to meet known construction payment requirements. Due to long construction periods the maximum maturity for these funds shall be ten (10) years and the maximum WAM shall be three (3) years. A laddered portfolio strategy using high credit quality securities will be based on known expenditure plans. The Construction Fund will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer.

44.74

Debt Reserve Fund

The Debt Reserve Fund is created to provide reserves to meet any shortfalls in the Interest and Sinking Fund. As Debt Reserve Funds are not anticipated to be utilized, short investments targeting the semi-annual debt service payments will be utilized. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer.

44.75

Interest and Sinking Fund

The Interest and Sinking Fund investments will be designed to meet the twice yearly bond payment requirements for which the funds are accumulated. Investments will be structured to meet the current debt payment date and no extension shall be made until the preceding payments have been fully funded. Investments shall strive to achieve competitive yields. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer.

44.76

Emergency Repair, Replacement, and Contingency Fund

The Emergency Repair, Replacement, and Contingency Fund was established to provide for emergency repairs and/or replacement of capital assets damaged by catastrophes, acts of God, or other disasters, and to fund unforeseen projects of the Board in excess of \$100,000 (so as to level the impact on electric tariffs from those unbudgeted projects). Investments in the Emergency Repair, Replacement, and Contingency Fund shall be high credit quality, short and intermediate securities with a one month liquidity buffer. The use of this fund will be initiated by Board action.

44.77

Rate Stabilization Fund

The Rate Stabilization Fund was established to minimize the exposure of the KPUB consumers to extreme or significant power supply volatility. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer recommending transfers from the Rate Stabilization Fund to the Revenue Fund to fund expenses or charges for significant increases in purchase power, fuel or other expenses as deemed appropriate and to minimize the exposure of KPUB's consumers to extreme or significant power supply volatility.

The Rate Stabilization Fund shall include investments suitable for a fund requiring a moderate degree of liquidity but allowing for short maturity extensions under one year.

44.78

Long-Term Rate Stabilization Fund

The ~~Long-Term~~ Long-Term Rate Stabilization Fund was established to minimize the exposure of KPUB customers to long term power supply volatility. The use of this fund will be initiated by Board action to fund acquisition of equity positions in generation resources, pre-purchase fuel agreements, investment in infrastructure, and other actions to limit long term exposure to ERCOT market volatility.

The ~~Long-Term~~Long-Term Rate Stabilization Fund shall include investments suitable for a fund requiring only a moderate degree of liquidity. The maturity of these investments should be coordinated to support KPUB's Integrated Resource Plan. Other criteria may be used in making this investment maturity decision such as arbitrage considerations, flexibility, and marketability.

44.79 Federal Income Tax Limitations on Investments

The Board recognizes that the provisions of Bond Ordinance No. 2013-21 and the Internal Revenue Code of 1986, as amended (the "Code") impose certain restrictions upon the investment of KPUB funds. While the investment strategies of the Board include goals to maximize the yield on any investments, the Board recognizes that certain investments must be made at yields at or below the yields on KPUB's outstanding revenue bonds to comply with the provisions of the aforementioned ordinance and the Code. The Board recognizes that excess earnings may activate rebate provisions but the goal will be to match all available earnings potential.

44.80 BANKS AND BROKER/DEALERS

A banking services depository shall be selected through KPUB's procurement process, which shall include a formal request for proposals issued at least every five years. Other financial institutions may be designated as depositories for other time and demand deposits. In selecting the banking services depository, the credit worthiness of institutions, earnings potential and service costs shall be considered, and the Director of Finance shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history along with the estimated cost of the banking services to be provided to KPUB.

44.81 Banks

~~:-~~ Banks and savings banks seeking to establish eligibility for KPUB's time or demand deposits shall submit annual audited financial statements, evidence of Federal insurance and other information as required by the Director of Finance.

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44.82 Broker/dealers:

The Investment Committee or Board shall approve a list of authorized broker/dealers recommended by the Investment Officer no less than annually. The list is shown as Exhibit A of this policy. Annual adoption of the approved list will occur at the same time as the annual adoption of the investment policy.

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Broker/dealers shall provide to the Investment Officer the following:

- Annual financial statements (required annually),
- Registration with FINRA and the firm's FINRA CRD number, and
- Registration with the Texas State Securities Board.

Each broker/dealer will be provided the current Policy.

Investment Officers in their dealing with KPUB funds shall not conduct business with any securities dealer with whom or through whom public entities have sustained losses on investments.

44.83 Local Government Investment Pools

• Pools must provide a policy certification to certify that they have received and reviewed the KPUB investment policy and meet all requirements set forth in the Act (Section 2256.016). Investment pools or investment management firms offering to engage in an investment transaction with KPUB must comply with the requirements of this Policy.

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44.90 COLLATERAL

44.91 Collateral Pledged to KPUB:

All time and demand deposits shall be secured by KPUB authorized collateral with a market value equal to at least 102 percent of the daily time and demand deposits, plus any accrued interest, less any amount insured by FDIC. Evidence of the pledged collateral shall be maintained by the Director of Finance and collateral shall be held by an independent third-party financial institution approved by KPUB. The pledging institution or the custodian shall provide a monthly listing of the collateral. The collateral report will be reviewed monthly by the Director of Finance to assure the market value of the securities pledged equals or exceeds the related bank collected balances. The custodian of these pledged securities must be:

- 1) A state or national bank that:
 - a) Is designated by the Comptroller as a state depository,
 - b) Has its main office or a branch office in this state, and
 - c) Has capital stock and permanent surplus of \$5 million or more;
- 2) A Federal Reserve Bank or a branch of a Federal Reserve Bank; or
- 3) A Federal Home Loan Bank.

Only securities allowed by the Public Funds Collateral Act, Chapter 2257, as amended, Texas Government Code shall be eligible to be pledged as collateral. KPUB will authorize letters of credit as collateral but will give preference to pledged securities.

KPUB's designated custodian shall provide a current list of all pledged investment securities monthly. The list must include (for each pledged investment security): KPUB's name; the CUSIP number of the security; par amount and maturity date of the security.

44.92 Collateral Owned by KPUB

Collateral underlying repurchase agreements are owned by KPUB and must have a market value equal to at least 102 percent daily monitored and reported daily by the counter-party. Collateral shall be held by an independent third-party financial institution approved by KPUB using a DVP settlement.

Authorized collateral for repurchase agreements shall include only:

- 1) cash, and
- 2) obligations of the US Government, its agencies and instrumentalities

44.100 INTERNAL CONTROLS

The Investment Officer shall establish a system of controls to regulate the activities of the investment program and subordinate staff. The controls will be reviewed annually with the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of KPUB. Controls deemed most important would include: control of collusion, separation of duties, custody and safekeeping, delegation of authority, securities losses and remedial actions, and documentation on all transactions.

44.101 Cash Flow Forecasting

Cash flow analysis and forecasting is a control designed to protect and anticipate cash flow requirements. The Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

44.102 Loss of Rating

The Investment Officer shall monitor, on no less than a monthly basis, the credit rating on all authorized investments in the portfolio requiring ratings based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by this Policy, the Investment

Officer shall notify the Committee of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available.

44.103 Monitoring FDIC Coverage

The Investment Officer shall monitor the status and ownership of all banks issuing brokered CDs owned by KPUB based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer shall immediately liquidate any brokered CD which places KPUB above the FDIC insurance level.

44.110 INVESTMENT POLICY ADOPTION

The Investment Committee may suggest Policy changes to the Board at any time. The Board shall review and adopt, by resolution, its investment strategies and any changes to the Policy not less than annually and the approving resolution shall designate any changes made to the Policy.

Approved as to Form

Stephen Schulte, General Counsel

Approved as to Legality and Content

Stephanie V. Leibe, Bond Counsel

Recommended for Board Approval

General Manager and Chief Executive Officer

Passed, Approved and Adopted this ____ day of _____, 202~~32~~

Mark Cowden, Chairman

EXHIBIT A
AUTHORIZED BROKER / DEALERS

1. Hilltop Securities
2. FHN Financial
3. Robert W. Baird
4. Stifel, Nicolas & Company

KERRVILLE PUBLIC UTILITY BOARD

BOARD POLICY 44

Title: Investment Policy and Strategy	
Effective Date: December 13, 2023	Resolution No. 23-19
Replaces: December 14, 2022	Resolution No. 22-19

44.00 SCOPE

This investment policy (the “Policy”) applies to all the financial assets of Kerrville Public Utility Board ("KPUB"), its investment activities and bank depository agreements. All funds shall be administered in accordance with the provision of this Policy. All other funds which may be created are included under this Policy unless specifically excluded by the Board of Trustees (the “Board”). This Policy does not apply to funds managed under separate pension investment programs.

44.10 POLICY STATEMENT

The KPUB’s investments will be made in accordance with applicable laws, Board policies, this Policy, and the restrictions in current KPUB bond ordinances and resolutions. Selection of brokerage firms must be approved by the Board annually. Local investment pools in which the KPUB participates shall be approved by action of the Board. Investment of KPUB funds will be transacted in accordance with the Texas Public Funds Investment Act Chapter 2256, as amended, Texas Government Code (the “Act”). Depository collateral shall be controlled under the terms of the Texas Public Funds Collateral Act Chapter 2257, as amended, Texas Government Code. Effective cash management is recognized as a foundation of this Policy. The Director of Finance is responsible for implementing this Policy.

44.20 OBJECTIVES

The primary objective of KPUB's investment activity is the preservation and safety of principal and maintenance of sufficient liquidity to meet anticipated expenditures. The objectives shall also include diversification and attainment of reasonable yield subject to compliance with this policy and the Internal Revenue Code of 1986, as amended, within the cash flow constraints of KPUB.

Each investment decision shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value. KPUB's investment portfolio will remain sufficiently liquid to meet KPUB’s operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by

investing in securities with active secondary markets as well as maintaining a minimum one-month liquidity buffer.

44.21 KPUB's portfolio shall be invested in high-credit quality securities. Funds shall be diversified to manage market price risks and default risks that would jeopardize the assets available to accomplish their stated objective. Funds shall never be invested in a manner inconsistent with this Policy and applicable federal and state laws and regulations.

44.22 All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in KPUB. The Board recognizes that in a diversified portfolio, occasional measured unrealized losses due to market volatility are inevitable and must be considered within the context of the overall portfolio's investment market value, provided that adequate diversification has been implemented. Strict adherence to provisions of Bond Ordinance No. 2013-21, or to any subsequent revenue bond ordinance, shall always apply.

44.30 **ASSIGNMENT OF RESPONSIBILITIES**

44.31 **KPUB Board**

The KPUB Board retains the ultimate fiduciary responsibility for the investment of its funds (Section 2256.005(f) of the Act). The Board will:

- adopt a written investment policy and strategy statement at least annually,
- designate investment officers,
- adopt a list of authorized broker/dealers at least annually,
- designate an investment committee, and
- accept quarterly investment reports.

44.32 **Investment Committee**

There is hereby created an Investment Committee, consisting of the General Manager and Chief Executive Officer, Director of Finance and two KPUB Trustees.

The Investment Committee shall meet at least quarterly to determine general strategies and to monitor results. The Investment Committee shall include in its deliberations such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to KPUB's funds, authorized investment advisors and broker/ dealers, and appropriate competitive and reasonable benchmarks for the investment portfolio. The Investment Committee may approve the broker/dealer list annually and approve the sources for investment training. The Investment Committee shall report to the Board after each quarterly meeting and submit the Investment Officer's report on investment activities for the past quarter. The Investment Committee shall establish its own rules or procedures, compliant with this Policy and schedule additional meetings when deemed necessary.

44.33**Investment Officers**

The Director of Finance and Supervisor of Accounting are designated as the Investment Officers for KPUB. Management responsibility for the investment program is hereby delegated to the Director of Finance, who shall establish written procedures for the operation of the investment program, consistent with this Policy. Such procedures shall include explicit delegation of authority to subordinate staff processing investment transactions. No persons may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Director of Finance. The Director of Finance shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate staff. The Investment Officer shall disclose relationships by blood or marriage and any "personal business relationship" with sellers of investments to both the Board as determined by Chapter 573, Texas Government Code, and to the Texas Ethics Commission as defined in the Act (Section 2256.005(i)) if required by the Act. The Investment Officer shall also file a conflict disclosure statement with respect to a vendor, as applicable and pursuant to Chapter 176, Texas Local Government Code, as amended, and any conflict disclosure statement required by the Board.

44.34**Investment Advisor**

KPUB may retain the services of an Investment Advisor to assist in the review of cash flow requirements, the formulation of investment strategies and the execution of security purchases, sales and deliveries.

44.35**Standard of Care**

Investments shall be made with exercise of judgment and due care under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs. Investments shall not be speculative, but for investment, and will consider the probable safety of their capital as well as the probable income to be derived. Investment of funds shall be governed by the following principles, in order of priority:

- (1) Preservation and safety of capital (including diversification),
- (2) Liquidity,
- (3) Yield.

44.36**Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict (or have the appearance of conflict) with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

44.37**Officer Training**

All designated Investment Officers shall comply with training requirements under state law.

44.40 REPORTING

The Director of Finance, as the Investment Officer, shall submit quarterly, or more often as directed by the Board, an investment report to the General Manager and Chief Executive Officer, and the Board. The report shall include all items required by the Act (Section 2256.023) and shall summarize the investment strategies employed in the most recent quarter. The Director of Finance and Supervisor of Accounting shall sign and certify that the report represents compliance with this Investment Policy and the Act.

44.41 Audits

Yearly audits must be made of compliance with the management controls on investments and with the Act. The quarterly investment reports must be formally reviewed annually by an independent auditor for compliance with the Act and the results of the review reported to the Board.

44.50 AUTHORIZED INVESTMENTS

Assets or funds of KPUB may be invested only in the following investments. New investment types authorized by Texas law will not be authorized for KPUB until this Policy is reviewed, amended, and adopted by the Board. Except as provided by Chapter 2270 of the Texas Government Code, KPUB is not required to liquidate investments that were authorized investments at the time of purchase. All investment transactions will be made on a competitive basis and all securities shall be delivered versus payment (“DVP”) to the KPUB contracted safekeeping institution.

- (a) Obligations of the United States or its agencies and instrumentalities excluding mortgage-backed securities with a maximum maturity of five years, as permitted by the Act (Section 2256.009), extending to ten years in construction funds;
- (b) Depository certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas with a maximum maturity of two (2) years, which are fully FDIC insured or collateralized in accordance with this policy and meet all further requirements as set forth in the Act (Section 2256.010(a)). This is to include those deposits placed through the Certificate of Deposit Account Registry Service (CDARS) and meeting all further requirements as set forth in the Act (Section 2256.010(b));
- (c) Fully NCUSIF insured share certificates from credit unions domiciled in the State of Texas meeting all other requirements set forth in the Act (Section 2256.010) with a maximum maturity of two (2) years;
- (d) Repurchase agreements collateralized only by cash and obligations of the United States or its agencies and meeting all other requirements set forth in

the Act (Section 2256.011). Flex repurchase agreements may be utilized for bond construction funds to match anticipated expenditure limits and may extend beyond five years to match anticipated expenditures. Section 2256.010 limits reverse security repurchase agreements to 90 days;

- (e) Local government investment pools rated not less than AAA, or an equivalent rating by at least one nationally recognized rating service which strive to maintain a \$1 net asset value and meeting all other requirements of the Act (Section 2256.016). The Board must approve by resolution, participation in any pool;
- (f) Fully insured brokered certificate of deposit securities from any US state, delivered versus payment to KPUB safekeeping. The broker must be on the authorized broker/dealer list of KPUB and meet all other requirements set forth in the Act (Section 2256.010), including a main or branch office in Texas. Before purchase the Investment Officer must verify the FDIC status of the bank or banks;
- (g) Fully FDIC or NCUSIF insured or collateralized interest-bearing accounts of any bank or credit union doing business in Texas;
- (h) A1/P1 or equivalent rated domestic commercial paper with a maximum maturity of 270 days and meeting all other requirements of the Act (Section 2256.013); an AAA rated SEC-registered money market mutual funds which strive to maintain a \$1 net asset value and meets all other requirements set forth in the Act (Section 2256.014(a)).

The maximum allowable stated maturity of any individual investment owned by KPUB shall be not more than five years, extending to ten years in construction funds.

44.51

Mark-to-market

All individual securities held in the portfolio shall be marked to market and reported as of the close of business on the last day of each month. Market prices are to be obtained from an independent source.

44.52

Competitive Bidding

Individual security purchases and sales (excluding transactions with money market mutual funds, local government investment pools, and when issued securities) require at least three competitive offers or bids. Bids may be solicited orally, in writing, electronically, or in any combination of those methods.

44.53 Delivery versus payment settlement

All securities shall be purchased using DVP so that no funds are released prior to receiving the security into safekeeping. The securities shall be delivered to KPUB's depository bank and held on behalf of KPUB. Safekeeping receipts/reports shall be delivered to KPUB. The depository should provide a monthly report of KPUB holdings.

44.60 HEDGING

This policy considers 2 types of hedges – market and internal. A market hedge would be used for investment purposes and purchased through an external broker. An internal hedge specifically relates to managing the price paid for purchased power using the terms of existing purchased power agreements.

44.61 Market Hedge

In accordance with the Act (Section 2256.0206) KPUB may enter hedging market contracts if it meets the principal and debt requirements as an “eligible entity.” The Board must adopt a separate hedging policy prior to any hedging market transaction, and such transaction must be made in accordance with CFTC and SEC requirements. Hedging transactions may include financial agreements such as put and call options, producer price agreements, or futures contracts. A hedging market strategy should be utilized and reviewed quarterly by the Investment Committee.

44.62 Internal Hedge

In addition to market-based investment strategies for recognized funds, the Power Supply Committee may create and monitor an internal hedge strategy related to purchased power prices. Renewable energy sources (wind and solar) are designed to act as a hedge against purchased natural gas. In addition, an internal hedge may include natural gas price locks executed through the terms of KPUB’s existing purchased power agreement with CPS Energy. Specific internal hedge strategies will be reviewed and approved at least semi-annually by the Power Supply Committee.

44.70 INVESTMENT STRATEGIES

Investments may be commingled for investment purposes while still addressing the unique needs of each defined fund. A pro-active laddered portfolio structure, based on anticipated cash flow needs, will be used to fund anticipated liabilities. The KPUB portfolio is designed as a buy-and-hold pro-active portfolio with minimal anticipated trading. The total portfolio shall have a maximum weighted average maturity of two years. Construction funds may have a maximum weighted average maturity of three years. The benchmarks for the total portfolio will be the comparable period two- and three-year Treasury Notes.

In accordance with this Policy's objectives, the fund type investment strategies address the following:

- 1) Suitability of investments,
- 2) Preservation and safety of principal,
- 3) Liquidity,
- 4) Potential marketability of investments in case of required liquidation, and
- 5) Diversification and yield considerations.

All designated fund investments must meet credit and safety criteria as required by the Act. Due to the overall short-term nature of the portfolio, involuntary investment liquidations are unlikely for any of the funds; however, should liquidations be necessary, the limited maturity of the securities should make material losses unlikely.

The various funds' investments will be structured to achieve competitive yields, given the pertinent liquidity requirements, and they will be compared against appropriately competitive and reasonable benchmarks. The overall portfolio shall not exceed a maximum weighted average maturity (WAM) of two (2) years.

44.71 Strategy by fund type

The Bond Ordinance No. 2013-21 requires a System Fund, a Bond (Interest and Sinking) Fund, and a Reserve (Debt Reserve) Fund. The Bond Ordinance requirements for amounts set aside in the Reserve Fund are suspended as long as the Pledged Revenues for each Fiscal Year are equal to at least 135% of the Average Annual Debt Service Requirements.

The Board has divided the System Fund into the following funds: Revenue Fund; Construction Fund; Emergency Repair, Replacement, and Contingency Fund; Rate Stabilization Fund; and Long Term Rate Stabilization Fund.

44.72 Revenue Fund

The Revenue Fund requires a high degree of liquidity to meet ongoing operational needs. High credit quality securities provide marketability should liquidity needs arise. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer.

44.73 Construction Fund

The Construction Fund is to be structured to meet known construction payment requirements. Due to long construction periods the maximum maturity for these funds shall be ten (10) years and the maximum WAM shall be three (3) years. A ladder portfolio strategy using high credit quality securities will be based on known expenditure plans. The Construction Fund will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer.

44.74

Debt Reserve Fund

The Debt Reserve Fund is created to provide reserves to meet any shortfalls in the Interest and Sinking Fund. As Debt Reserve Funds are not anticipated to be utilized, short investments targeting the semi-annual debt service payments will be utilized. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer.

44.75

Interest and Sinking Fund

The Interest and Sinking Fund investments will be designed to meet the twice yearly bond payment requirements for which the funds are accumulated. Investments will be structured to meet the current debt payment date and no extension shall be made until the preceding payments have been fully funded. Investments shall strive to achieve competitive yields. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer.

44.76

Emergency Repair, Replacement, and Contingency Fund

The Emergency Repair, Replacement, and Contingency Fund was established to provide for emergency repairs and/or replacement of capital assets damaged by catastrophes, acts of God, or other disasters, and to fund unforeseen projects of the Board in excess of \$100,000 (so as to level the impact on electric tariffs from those unbudgeted projects). Investments in the Emergency Repair, Replacement, and Contingency Fund shall be high credit quality, short and intermediate securities with a one month liquidity buffer. The use of this fund will be initiated by Board action.

44.77

Rate Stabilization Fund

The Rate Stabilization Fund was established to minimize the exposure of the KPUB consumers to extreme or significant power supply volatility. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer recommending transfers from the Rate Stabilization Fund to the Revenue Fund to fund expenses or charges for significant increases in purchase power, fuel or other expenses as deemed appropriate and to minimize the exposure of KPUB's consumers to extreme or significant power supply volatility.

The Rate Stabilization Fund shall include investments suitable for a fund requiring a moderate degree of liquidity but allowing for short maturity extensions under one year.

44.78

Long-Term Rate Stabilization Fund

The Long-Term Rate Stabilization Fund was established to minimize the exposure of KPUB customers to long term power supply volatility. The use of this fund will be initiated by Board action to fund acquisition of equity positions in generation resources, pre-purchase fuel agreements, investment in infrastructure, and other actions to limit long term exposure to ERCOT market volatility.

The Long-Term Rate Stabilization Fund shall include investments suitable for a fund requiring only a moderate degree of liquidity. The maturity of these investments should be coordinated to support KPUB's Integrated Resource Plan. Other criteria may be used in making this investment maturity decision such as arbitrage considerations, flexibility, and marketability.

44.79 Federal Income Tax Limitations on Investments

The Board recognizes that the provisions of Bond Ordinance No. 2013-21 and the Internal Revenue Code of 1986, as amended (the "Code") impose certain restrictions upon the investment of KPUB funds. While the investment strategies of the Board include goals to maximize the yield on any investments, the Board recognizes that certain investments must be made at yields at or below the yields on KPUB's outstanding revenue bonds to comply with the provisions of the aforementioned ordinance and the Code. The Board recognizes that excess earnings may activate rebate provisions but the goal will be to match all available earnings potential.

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A banking services depository shall be selected through KPUB's procurement process, which shall include a formal request for proposals issued at least every five years. Other financial institutions may be designated as depositories for other time and demand deposits. In selecting the banking services depository, the credit worthiness of institutions, earnings potential and service costs shall be considered, and the Director of Finance shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history along with the estimated cost of the banking services to be provided to KPUB.

44.81 Banks

Banks and savings banks seeking to establish eligibility for KPUB's time or demand deposits shall submit annual audited financial statements, evidence of Federal insurance and other information as required by the Director of Finance.

44.82 Broker/dealers

The Investment Committee or Board shall approve a list of authorized broker/dealers recommended by the Investment Officer no less than annually. The list is shown as Exhibit A of this policy. Annual adoption of the approved list will occur at the same time as the annual adoption of the investment policy.

Broker/dealers shall provide to the Investment Officer the following:

- Annual financial statements (required annually),
- Registration with FINRA and the firm's FINRA CRD number, and
- Registration with the Texas State Securities Board.

Each broker/dealer will be provided the current Policy.

Investment Officers in their dealing with KPUB funds shall not conduct business with any securities dealer with whom or through whom public entities have sustained losses on investments.

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Pools must provide a policy certification to certify that they have received and reviewed the KPUB investment policy and meet all requirements set forth in the Act (Section 2256.016). Investment pools or investment management firms offering to engage in an investment transaction with KPUB must comply with the requirements of this Policy.

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- 1) A state or national bank that:
 - a) Is designated by the Comptroller as a state depository,
 - b) Has its main office or a branch office in this state, and
 - c) Has capital stock and permanent surplus of \$5 million or more;
- 2) A Federal Reserve Bank or a branch of a Federal Reserve Bank; or
- 3) A Federal Home Loan Bank.

Only securities allowed by the Public Funds Collateral Act, Chapter 2257, as amended, Texas Government Code shall be eligible to be pledged as collateral. KPUB will authorize letters of credit as collateral but will give preference to pledged securities.

KPUB's designated custodian shall provide a current list of all pledged investment securities monthly. The list must include (for each pledged investment security): KPUB's name; the CUSIP number of the security; par amount and maturity date of the security.

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Collateral underlying repurchase agreements are owned by KPUB and must have a market value equal to at least 102 percent daily monitored and reported daily by the counter-party. Collateral shall be held by an independent third-party financial institution approved by KPUB using a DVP settlement.

Authorized collateral for repurchase agreements shall include only:

- 1) cash, and
- 2) obligations of the US Government, its agencies and instrumentalities

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The Investment Officer shall establish a system of controls to regulate the activities of the investment program and subordinate staff. The controls will be reviewed annually with the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of KPUB. Controls deemed most important would include: control of collusion, separation of duties, custody and safekeeping, delegation of authority, securities losses and remedial actions, and documentation on all transactions.

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The Investment Officer shall monitor, on no less than a monthly basis, the credit rating on all authorized investments in the portfolio requiring ratings based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by this Policy, the Investment Officer shall notify the Committee of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available.

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The Investment Officer shall monitor the status and ownership of all banks issuing brokered CDs owned by KPUB based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer shall immediately liquidate any brokered CD which places KPUB above the FDIC insurance level.

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The Investment Committee may suggest Policy changes to the Board at any time. The Board shall review and adopt, by resolution, its investment strategies and any changes to the Policy not less than annually and the approving resolution shall designate any changes made to the Policy.

Approved as to Form

Stephen Schulte, General Counsel

Approved as to Legality and Content

Stephanie V. Leibe, Bond Counsel

Recommended for Board Approval

General Manager and Chief Executive Officer

Passed, Approved and Adopted this ____ day of _____, 2023

Mark Cowden, Chairman

EXHIBIT A
AUTHORIZED BROKER / DEALERS

1. Hilltop Securities
2. FHN Financial
3. Robert W. Baird
4. Stifel, Nicolas & Company

MEMORANDUM

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

From: Howard Hall

Date: December 8, 2023

Re: Agenda Item No. 5D.1 – Approval and Reporting of Purchases and Sales

Presented for your consideration and review are the recommendations for purchase of goods or services.

- 1. Surplus Radio Equipment Donation.** We have transitioned to the LCRA radio system. Center Point ISD has requested and received approval from their Board to accept the donation of our retired radio equipment. KPUB has agreed to this donation and will be delivering the equipment the week of December 11, 2023. Attached is the Center Point School Board minutes from their meeting on December 6, 2023.

Please let me know if you have any questions or concerns.

Sincerely,

Howard Hall
Supervisor, Field Services

MEMORANDUM

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

From: Ricardo Berrios

Date: December 7, 2023

Re: Agenda Item No. 5D.2 – Wood Pole Inspection and Treatment Services

Presented for your consideration and review are these recommendations for purchase and/or sale of goods or services.

- 2. Wood Pole Inspection and Treatment Services.** Services are for three years, 2023 to 2026, and with seven (7) one-year extensions to 2033. KPUB evaluated the four bids received, with only three vendors accepted based on meeting the RFP requirements: unit prices, completeness of written proposal, vendor references, safety program, and presentation. From KPUB's Vendor Evaluations, Alamon scored the highest to continue the KPUB preventative maintenance program for wood poles inspection. Staff recommends awarding Alamon the contract to inspect 2000 poles per year for KPUB. Estimated costs are \$81,900 for the 2024 cycle, \$84,100 for the 2025 cycle, and \$86,300 for the 2026 cycle.

Sincerely,



Ricardo Berrios, Jr.
Distribution Engineer

Bid 3278--Wood Pole Inspection and Treatment
Price Evaluation

	Visual Inspection	Sound and Bore	Partial Excavation	Full Excavation	Excavated Reject Pole	External Ground Line Preservative Treatment	Internal Treatment	Report Line Clearance	Report Missing ID Tag	GPS Location	Foreign Attachment Identification	KPUB Equipment Inventory	GIS Data Collection	Electronic Data Delivery	Pole Reinforcement	Digital Image Per Image	Install Guy Markers	Groundwire Repair	Other: Insect Treatment			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19			
Maximum Score (30 Pt)/ Category	2	2	2.5	2.5	2.5	1	1.5	2	1	1	1	1.5	1	1	1	2	1.5	1.5	1.5			30
Osmore Utilities Services, Inc.																						
2024	\$8.95	\$12.15	\$28.50	\$47.50	\$47.50	\$6.60	\$17.70	\$0.00	\$0.30	\$0.00	\$0.81	\$0.81	\$0.00	\$0.00	\$1,500.00	\$4.04	\$8.78	\$16.74	\$5.28			
2025	\$9.31	\$12.64	\$29.64	\$49.40	\$49.40	\$6.86	\$18.41	\$0.00	\$0.31	\$0.00	\$0.84	\$0.84	\$0.00	\$0.00	\$1,560.00	\$4.20	\$9.13	\$17.00	\$5.49			
2026	\$9.68	\$13.15	\$30.83	\$51.38	\$51.38	\$7.13	\$19.15	\$0.00	\$0.32	\$0.00	\$0.87	\$0.87	\$0.00	\$0.00	\$1,622.40	\$4.37	\$9.50	\$41.00	\$5.71			
Cost Difference on the lowest bid (Blue Cell)	\$8.95	\$6.00	\$8.08	\$13.92	\$13.92	\$2.60	\$3.70	\$0.00	\$0.00	\$0.00	\$0.16	\$0.16	\$0.00	\$0.00	\$638.35	\$3.04	\$6.26	\$18.11	\$1.34			
	0.43	0.51	0.72	0.71	0.71	0.61	0.79	1.00	1.00	1.00	0.80	0.80	1.00	1.00	0.57	0.25	0.29	0.72	0.75			
	0.86	1.01	1.79	1.77	1.77	0.61	1.19	2.00	1.00	1.00	0.80	1.20	1.00	1.00	0.57	0.50	0.43	1.08	1.12			21 69%
Alamon																						
2024	\$10.00	\$17.00	\$23.00	\$49.00	\$45.00	\$4.00	\$14.00	\$0.00	\$0.00	\$0.00	\$1.00	\$1.00	\$0.00	\$0.00	\$1,400.00	\$1.00	\$6.00	\$12.00	\$5.50			
2025	\$10.30	\$17.51	\$23.69	\$50.47	\$46.35	\$4.12	\$14.42	\$0.00	\$0.00	\$0.00	\$1.03	\$1.03	\$0.00	\$0.00	\$1,442.00	\$1.03	\$6.18	\$12.36	\$5.67			
2026	\$10.61	\$18.04	\$24.40	\$51.98	\$47.74	\$4.24	\$14.85	\$0.00	\$0.00	\$0.00	\$1.06	\$1.06	\$0.00	\$0.00	\$1,485.00	\$1.06	\$6.37	\$12.73	\$5.83			
Cost Difference on the lowest bid (Blue Cell)	\$6.15	\$10.85	\$2.58	\$15.42	\$11.42	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.35	\$0.35	\$0.00	\$0.00	\$538.35	\$0.00	\$3.48	\$0.00	\$1.56			
	0.39	0.36	0.89	0.69	0.75	1.00	1.00	1.00	1.00	1.00	0.65	0.65	1.00	1.00	0.62	1.00	0.42	1.00	0.72			
	0.77	0.72	2.22	1.71	1.87	1.00	1.50	2.00	1.00	1.00	0.65	0.98	1.00	1.00	0.62	2.00	0.63	1.50	1.07			23 77%
Entrust Solution Group																						
2024	\$12.32	\$26.37	\$46.96	\$61.28	\$61.28	\$32.69	\$23.00	\$0.00	\$3.25	\$2.50	\$1.25	\$3.00	\$0.00	\$0.00	\$0.00	\$2.00	\$2.52	\$16.27	\$0.00			
2025	\$12.94	\$27.69	\$49.31	\$64.34	\$64.34	\$34.32	\$24.15	\$0.00	\$3.41	\$2.62	\$1.31	\$3.15	\$0.00	\$0.00	\$0.00	\$2.10	\$2.65	\$17.08	\$0.00			
2026	\$13.59	\$29.07	\$51.77	\$67.56	\$67.56	\$36.04	\$25.36	\$0.00	\$3.58	\$2.75	\$1.37	\$3.31	\$0.00	\$0.00	\$0.00	\$2.20	\$2.78	\$17.93	\$0.00			
Cost Difference on the lowest bid (Blue Cell)	\$8.47	\$20.22	\$26.54	\$27.70	\$27.70	\$28.69	\$9.00	\$0.00	\$2.95	\$0.00	\$0.60	\$2.35	\$0.00	\$0.00	\$0.00	\$1.00	\$0.00	\$4.27	\$0.00			
	0.31	0.23	0.43	0.55	0.55	0.12	0.61	1.00	0.09	1.00	0.52	0.22	1.00	1.00	1.00	0.50	1.00	0.74	1.00			
	0.63	0.47	1.09	1.37	1.37	0.12	0.91	2.00	0.09	1.00	0.52	0.33	1.00	1.00	1.00	1.00	1.50	1.11	1.50			18.00 60%
Power Pole Maintenance																						
2024	\$3.85	\$6.15	\$20.42	\$33.58	\$33.58	\$4.48	\$14.16	\$0.00	\$0.30	\$0.00	\$0.65	\$0.65	\$0.00	\$0.00	\$861.65	\$3.24	\$7.02	\$13.39	\$3.94			
2025	\$3.97	\$6.33	\$21.03	\$34.59	\$34.59	\$4.61	\$14.58	\$0.00	\$0.31	\$0.00	\$0.67	\$0.67	\$0.00	\$0.00	\$887.50	\$3.34	\$7.23	\$13.80	\$4.06			
2026	\$4.09	\$6.52	\$21.66	\$35.63	\$35.63	\$4.75	\$15.02	\$0.00	\$0.32	\$0.00	\$0.69	\$0.69	\$0.00	\$0.00	\$914.13	\$3.44	\$7.45	\$14.21	\$4.18			
Cost Difference on the lowest bid (Blue Cell)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.48	\$0.16	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.24	\$4.50	\$1.39	\$0.00			
	1.00	1.00	1.00	1.00	1.00	0.89	0.99	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.31	0.36	0.90	1.00			
	2.00	2.00	2.50	2.50	2.50	0.89	1.48	2.00	1.00	1.00	1.00	1.50	1.00	1.00	1.00	0.62	0.54	1.34	1.50			27.38 91%
Lowest Price	\$3.85	\$6.15	\$20.42	\$33.58	\$33.58	\$4.00	\$14.00	\$0.00	\$0.30	\$2.50	\$0.65	\$0.65	\$0.00	\$0.00	\$861.65	\$1.00	\$2.52	\$12.00	\$3.94			
																Based upon 2023 prices						

Bid 3278--Wood Pole Inspection and Treatment
Summation of Scores

	Price	Completion of Bid	Vendor References	Safety Program	Presentation	TOTAL
Maximum Score / Category	30	20	10	10	30	100
Osrose Utilities Services, Inc.	21	15	10	10	28	84
Alamon	23	15	9	10	29	86
ENTRUST Solution Group	18	14	9	9	28	78
Power Pole Maintenance	27	7	8	0	0	42
Texas Utility Inspection Services	No Bid					
Quality Resource & Service Inc.	No Bid					
Utility Pole Technologies, Inc.	No Bid					
Davey Tree	No Response					
PoleCare International Inc.	No Response					

All values represent tabulated scores, not dollar amounts.

MEMORANDUM

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

From: Brian Mikulencak

Date: December 13, 2023

Re: Agenda Item No. 5D.3 – Harper T2 Transformer Replacement Purchase.

During recent regular maintenance and testing on the Harper Road T2 substation transformer we received test results indicating that the high voltage insulation inside the transformer is degrading. Bids were sent out for a new transformer and/or having HRT2 transformer repaired. Multiple vendor responses were received, which are shown in the table below.

Company	Contact	Option(s)	Turn Time	Cost	Loc	Details
Jordan Transformer	Angie	Re-manufactured/Rewind	52 weeks from PO	N/A	Minnesota, expensive shipping	52 w/from F5OW, Prefers us to handle Crain and shipping, but they can provide the truck
Emerald Transformer	Ryan				Waco?	Possible rewind option. Getting back w/me
UTB Transformer	Nikki	Rewind	79-86 weeks	\$669,614	UTAH, expensive shipping	3 year warranty. They could recondition it for \$162,968 if that's possible, but they'd need to get into it to make that determination.
LCRA	Kyle	Mobile only				
TEC	Tyler/Oscar	New XFMR per our spec	146 – 150 weeks	\$1,495,593	Monterrey Mexico	Available slot for us in 2026, Quoted 33 MVA only. Same as the JF xfmr. 20 MVA would be about \$300k less.
Virginia Transformer	Greg	New XFMR per our spec	48-60 weeks, 70-80 weeks (future)	\$1,174,997	Roanoke, VA	12//22.4 MVA, 33MVA roughly \$1.5-1.6M (\$300K diff), Agreement on slots available, 10% overload and bi-directional
ABB/Hitachi	David	Rewind	54 weeks or so	\$1.55-1.75M		\$50k frieght charges roughly
T&R Electric					South Dakota	Works also with UTB, so no quotes from T&R
Alamo Transformer	Stephanie	Possibly sub out the rewind, purchase a transformer or rent a transformer		N/A	San Antonio	Could not come up with a solution for us.
Sunbelt/Solomon	Jan	Monthly rental		\$59,982		3 month min, shipping and several other costs, commissioning in and out required

Staff consulted with experts on the situation and initial recommendations from LCRA and ABB were to consider early replacement of the transformer. We are continuing to evaluate options and perform more frequent testing on the transformer.

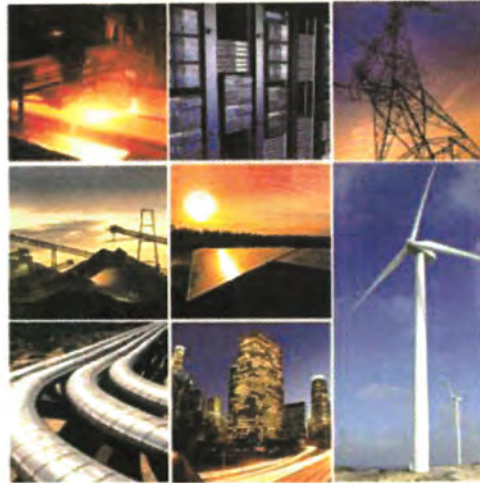
At this time staff is requesting authorization to issue a purchase order to Virginia Transformer for a total of \$1,362,524; to include spares parts, off-loading the transformer, and testing. The Virginia quote will be good until January 4th. While staff will continue to evaluate options between now and then, we currently anticipate that transformer replacement will be the best option. The quote is attached for your review as well.

Please let me know if you have any questions or concerns.

Sincerely,

Brian Mikulencak
 Supervisor of Substation Services

Company	Contact	Option(s)	Turn Time	Cost	Loc	Details
Jordan Transformer	Angie	Re-manufactured/Rewind	52 weeks from PO	N/A	Minnesota, expensive shipping	52 w/from FSOw, Prefers us to handle Crain and shipping, but they can provide the truck
Emerald Transformer	Ryan				Waco?	Possible rewind option. Getting back w/me
UTB Transformer	Nikki	Rewind	79-86 weeks	\$669,614	UTAH, expensive shipping	3 year warranty. They could recondition it for \$162,968 if that's possible, but they'd need to get into it to make that determination.
LCRA	Kyle	Mobile only				
TEC	Tyler/Oscar	New XFMR per our spec	146 – 150 weeks	\$1,495,593	Monterrey Mexico	Available slot for us in 2026, Quoted 33 MVA only. Same as the JF xfmr. 20 MVA would be about \$300k less.
Virginia Transformer	Greg	New XFMR per our spec	48-60 weeks, 70-80 weeks (future)	\$1,174,997	Roanoke, VA	12//22.4 MVA, 33MVA roughly \$1.5-1.6M (\$300K diff), Agreement on slots available, 10% overload and bi-directional
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T&R Electric					South Dakota	Works also with UTB, so no quotes from T&R
Alamo Transformer	Stephanie	Possibly sub out the rewind, purchase a transformer or rent a transformer		N/A	San Antonio	Could not come up with a solution for us.
Sunbelt/Solomon	Jan	Monthly rental		\$59,982		3 month min, shipping and several other costs, commissioning in and out required



**KERRVILLE PUBLIC UTILITY BOARD
Replacement Unit**

Proposal #: 0234703A | 05 December 2023

Customer Contact Information
Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD
MIKE WITTLER
2250 MEMORIAL BLVD.
KERRVILLE, TX 78028
830-257-3050

VTC Contact Information
JESSE HALL
540-581-2825
Jesse_Hall2@vatransformer.com

220 Glade View Drive, NE Roanoke, 24012
Phone:540-345-9892 Fax:540-342-7694
www.vatransformer.com



Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD
Proposal #: 0234703A



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Virginia Transformer Corporation

This document contains Virginia Transformer Corp proprietary information and may not be copied or disclosed to others without written consent from Virginia Transformer Corp.

For over 50 years, innovative technology and a commitment to superior customer service and support has established Virginia Transformer Corp(VTC) as an engineering company leading in manufacturing a variety of transformers.

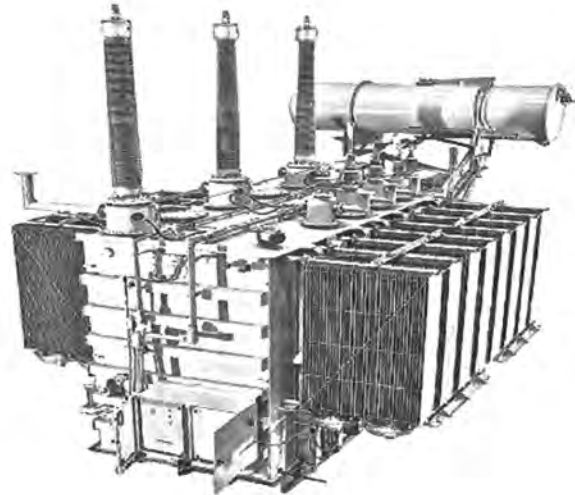
VTC designs and manufactures custom power transformers ranging from 500 KVA to 400 MVA, 500 kV class (core type) and up to 1400 MVA, 500 kV class (shell type), and dry-type units up to 15000 KVA, 35 kV.

VTC has design and manufacturing facilities in Roanoke, VA, Pocatello, ID, Chihuahua, Mexico and Georgia Transformer in Rincon GA. In addition, VTC has design and procurement capabilities in Delhi, India, establishing a world-wide presence as a supplier of transformer solutions. VTC reserves the right to manufacture the product quoted herein at VTC owned or affiliated plants in North America.



ISO 9001

"The Commitment Company"



Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD
Proposal #: O234703A



Commercial Summary

Base Price

Item	Description	Qty	Unit Price (USD)	Extended Price (USD)
1	12,000 / 13,440 / 16,000 / 17,920 / 20,000 / 22,400 kVA 138 - 13.09 kV	1	\$1,240,515	\$1,240,515

Tax Certificates Requirement

Upon acceptance of our proposal, the purchaser is required to submit a sales tax exemption certificate with the Purchase order, otherwise VTC will charge appropriate state taxes based on the destination.

TERMS AND CONDITIONS: Unless other terms or MSA is agreed between Customer and VTC/GTC, the Proposal will be governed by VTC/GTC Standard Terms & Conditions, attached towards the end of technical Proposal or provide as Separate Document.

Price Policy

Quoted Price is Firm for the Proposed Lead time.
 In the event of customer delay on a job quoted with a firm price and shipment date, VTC/GTC will apply the BLS Transformer Index to adjust price. The agreed firm price will be escalated with the base period being the quoted shipment date and the Settlement date being the month of shipment. Only increases in the BLS index will be considered for this calculation. Any advance payments will be credited to the final invoice. No adjustment will be applied if the transformer is completed and shipped prior to the quoted shipment date.

Validity of Quote

01/04/2024

Estimated Freight Cost

Item	Ship To	Qty	Freight Cost (USD)	Extended Freight Cost (USD)
1	Kerrville, TX	1	\$36,418	\$36,418

Indicated Prices are Estimate Only, VTC will quote freight at the time of shipment, Actual Amount incurred will be Invoiced along with 15% Handling Charges.

Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD

Proposal #: O234703A



ITEM #1

Optional Pricing

Particulars	Price (USD/Per Unit)
Field Service Offloading	\$30,459
Field Service Testing and Assembly	\$64,725

For Witness testing, cost for travel, transportation, lodging and meals are not included in the quoted price unless otherwise noted. Only 1 Day of Witness Test is included in the Offer. If additional Days are Required, There will be Price Price adder of \$10,000/ Day. If Field Service is Quoted as Option, the prices are Estimate only and will be adjusted at the time of Actual Service.

Suggested Spare Parts

Particulars	Price (USD/Per Unit)
HV ARRESTER - Qty 1	\$4,800
LV ARRESTER - Qty 1	\$2,200
HV BUSHING - Qty 1	\$15,250
LV BUSHING - Qty 1	\$4,575

Shipping

Unit Shipment By	55-60 Weeks from Order Acknowledgement date.VTC reserves the right to ship unit up to 3 months earlier than the contractual ship date.
Freight	PREPAID & ADD
Estimated Freight Cost (Per Unit)	\$36,418
INCO Terms	FOB - FREE ON BOARD(Jack Furman Substation 267 Goat Creek Cutoff Road Kerrville, TX 78028)
Proposed Manufacturing Location	ROANOKE, VA USA
Impact Recorder	Impact Recorder to be provided on Returnable Basis, \$ 7,500 to be invoiced if not returned in 30 days after Delivery.

Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD
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VTC cannot guarantee multiple units to arrive at the same time unless more than one unit can be loaded on the same truck. VTC cannot guarantee arrival dates and times at the job site. Final Lead time will be confirmed at the time of order acknowledgements

Proposed Payment Terms

30% Advance with Purchase Order
30% upon drawing submittal, net 30 days
40% invoiced at the time of Shipment or upon moving to storage, Net 30 days

Field Service

Field Service Supervision Only	Included
--------------------------------	----------

1. Field Service Prices indicated are Estimates only and will be Adjusted at the time of Actual Service.
2. For any units that are placed in storage Field service charges will be increased by 10% every 6 months, or part thereof.
3. On the Transformers that go into storage. Freight, Offloading, and Field Dress Out prices will be quoted at the time of shipment.
4. VTC/GTC will not Store Transformers. Storage of the transformer may be for a limited period of time based on space availability, if explicitly agreed upon by VTC/GTC. If Quoted, Space storage charges will be Provided. Any unit placed in storage must be paid in full within 30 days of completion of the transformer, acceptance will be deemed to have occurred upon placement in storage and transfer of title will take along with all associated milestone payments. Any additional testing requested at the time of shipment will be charged separately. We will require at least 60-days notice prior to requested shipment date, to remove a transformer from storage.
5. Please note that the included price for Field Service Offloading with Free and Clear Access is based on following
 - a) Usage of Crane rated up to 250-ton, 28-foot radius.
 - b) No Jack & Slide Equipment requirement to place transformer on the pad.
 - c) Demurrage for delays based on customer or site condition will incur price adders.
 If site conditions have access constraints for Offload - that require larger than a 250-ton, 28-foot Crane and / or Jack & Slide equipment, a price adder will be charged by VTC.

Warranty

60/60 Months Extended Warranty With In/Out	Includes all accessories, tank, core and coil. This warranty includes One (1) year of In/Out Coverage.
--	--

Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD
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To ensure validity of Warranty coverage, Virginia - Georgia Transformer requires Dissolved Gas Analysis (DGA) reports of the supplied unit to be provided every year for the period of Warranty coverage. The annual DGA's should be emailed to: FieldService@vatransformer.com

Testing - As Per IEEE ANSI 57.12.90

Routine Test	Included
Sound Level Test	Included
Power Factor	Included
Zero Sequence Impedance Test	Included
Dissolved Gas Analysis	Included
Dew Point	Included
SFRA	Included
Partial Discharge - Picocoulomb	Included
Power Factor	Included
10kV Single Phase Excitation	Included

All tests are as per ANSI/IEEE standard guideline. For Witness testing, cost for travel, transportation, lodging and meals are not included in the quoted price. If customer requires additional time beyond the scheduled witness test period, an additional charge of \$10,000/day will apply.

Drawings

Drawings are typically supplied 16-18 Weeks after Order Acknowledgement. Actual Drawing lead time will be confirmed at the time of order Acknowledgement Only. Customer approvals of drawings are required within one week from date of submittal unless otherwise agreed to in writing by VTC-authorized representative.

Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD
Proposal #: O234703A



Technical Summary

This proposal is Virginia Transformer's complete understanding of the specification requirements provided, and is the basis for acceptance of any resulting orders.

ITEM #1

Transformer Ratings

ITEM :1			QUANTITY #1
kVA	12,000 / 13,440 / 16,000 / 17,920 / 20,000 / 22,400	Application	POWER DIST.
Cooling Class	ONAN/ONAF/ONAF	Winding Temp Rise (Avg)	55/65 °C
# Phase	3	Dielectric Fluid	TYPE II MINERAL
Frequency (Hertz)	60	Winding Material	COPPER
HV Rating (V)	138,000 DELTA	LV Rating (V)	13,090 Y/7,558
HV BIL (kV)	650	LV BIL (kV)	95
HV Tap Changer	DETC	LV Tap Changer	LTC
HV Taps	2 FCAN,2 FCBN @2.5 %	LV Taps	16 ABOVE,16 BELOW @0.625 %
Nom. Impedance	10.00 % +/- 7.50 % @ 12,000 kVA	Noise (dBA)	Standard NEMA TR-1
HV Bushing Mtng	Segment III, Cover Mounted	LV Bushing Mtng	Segment I, Cover Mounted
HV Terminal Chamber	Not Applicable	LV Terminal Chamber	Not Applicable
HV Coil Type	HELICAL OR DISC	LV Coil Type	HELICAL OR DISC
Paint Color - ANSI	70	Paint Type	III URETHANE OVER EPOXY
Losses	Guaranteed with IEEE Tolerance		
No Load Losses	12.00 kW at 100% volts	Load Losses	52.00 kW @ 12,000 kVA

Mechanical Features

Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD
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De-energized Manual No Load Tap Changer
Diagrammatic Name Plate
Gasketed Manhole in Cover
HV Surge Arrester Mounting Provisions Only
LV Surge Arrester Mounting Provisions Only
NEMA 4 Junction Box
Nitrogen System with 3 Stage Regulator
Panel Type Radiators
Provision for Jacking, Skidding and Lifting
Sealed Tank with Dry Nitrogen Blanket
Two Copper Faced Ground Pads welded to Base on Diagonally Opposite Corners
Welded Top Cover
Non-Skid Finish
White Painted Inside of Tank
Gasket Grooves
No Corner Welds

Radiators

Environment Protection	Hot Dipped Galvanized & Unpainted	Radiator Type	Demount Type
-------------------------------	--	----------------------	---------------------

VTC standard radiators are Hot Dipped Galvanized and Unpainted which do not require painting. These radiators are suitable for all climatic conditions that include chemical, petro-chemical and marine conditions. Unless specified differently below, these standard, galvanized radiators will be provided.

Standard Gauges and Accessories

Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD
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Gauges Details	Make
Liquid Level Gauge W/Contact	QUALITROL CORP.
Liquid Temp Gauge W/Contact	QUALITROL CORP.
Pressure Relief Device W/Contact	QUALITROL CORP.
Pressure Vacuum Gauge W/Bleeder	QUALITROL CORP.
Sudden Pressure Relay (GAS) With Seal in Relay	QUALITROL CORP.
Simulated Winding Temp Gauge W/Contact	QUALITROL CORP.
Type B1002B	SeeKirk

Bushings

Bushing	kV BIL	Location	Qty / Phase	Make
HV	650	Segment III	1	HITACHI (ABB)/PCORE
LV	110	Segment I	1	HITACHI (ABB)/PCORE

Current Transformers

Location	Qty / Phase	CT Ratio	Ratio	Class / Accuracy
HV	1	2000:5	Multi Ratio	C800
HV	2	600:5	Multi Ratio	C800
LV	2	2000:5	Multi Ratio	C800
LV Neutral	1	600:5	Multi Ratio	C800
LV	1	800/1600:5	Dual Ratio	0.3B1.8

Load Tap Changer

Location	On LV Winding
LTC Type	RMV II
Make	REINHAUSEN MFG
XMFR	VTC CHOICE

NOTE: The actual voltages at various taps of the LTC shall correspond to the nearest turn in accordance with IEEE Std C57.12.00 2010 clause 9.1. This can lead to different step voltage between steps.

Ambient Conditions

Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD

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Ambient Temperature(°C)	Min. -20 / Av. 20 / Max. 30
Seismic Zone	LOW
Altitude(Feet)	< 3,300

Unit shall be designed per the latest ANSI standards for Seismic per IEEE 693 – 2018

Dimensions and Weights

Overall & Shipping Estimated Dimensions:		
Dimension	Overall Dimensions (Inches)	Shipping Dimensions (Inches)
Width	190	190
Depth	190	129
Height	212	157
Overall & Shipping Estimated Weights:		
Weight of the Unit (Lbs)	Shipping Weight (Lbs)	
110,200	94,950	
Parts Shipped Separately:		
Fans and Mounting		
HV Bushings		
LV Bushings		
Radiator Oil		
Radiators		

Assembly of any ship separate parts is not in VTC scope unless, VTC field service assembly option is purchased or included in the base price.

Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD

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Clarifications/Deviations to Specifications and Technical Notes

**TECHNICAL
CLARIFICATIONS**

- 1.) Transformer will be designed per ANSI/IEEE standards.
- 2.) Values of Test like Induced Voltage, SFRA, Corona and Partial Discharge shall be as applicable in ANSI standard.
- 3.) The specification file named "K PUB Substation Power Tsfmr Specs" only has 57 of 59 pages included. Pages 58 and 59 have not been considered in this quote. If the Customer requires these pages to be considered with this quote, the Customer shall provide these pages for VTC to accommodate at a later point.

Replacement Unit
KERRVILLE PUBLIC UTILITY BOARD
Proposal #: 0234703A



General Terms and Conditions of Sale

Virginia Transformer Corp's General Terms and Conditions of Sale

Virginia Transformer Corp, hereinafter referred to as Seller, hereby offers to supply the items and/or services identified in the quotation, proposal, or acknowledgment expressly conditional upon the Buyer's acceptance of the following terms. Seller, by its commencement of performance, shall not prejudice its rights to enforcement of these conditions. Any confirmatory action by the Buyer hereunder, or any acceptance of such equipment or services, installation, energization, or utilization shall constitute assent to said terms or conditions. Stenographic and clerical errors on this quotation, proposal, or acknowledgment are subject to correction.

1. **ACCEPTANCE OF ORDER:** None of Buyer's Terms and Conditions contained the Purchase Order or other submittal by Buyer shall alter Seller's Terms and Conditions in any respect and shall not apply to this transaction unless specifically agreed to in writing by the Seller.
2. **EXPIRATION OF OFFER:** All offers of sale by Seller are valid for thirty (30) days from the date of the offer based on product delivery within 6 months unless otherwise specifically stated in the Seller's offer or as otherwise may be expressly agreed to in writing by the Seller. All such offers of Seller are subject to change without notice after this period unless earlier withdrawn by the Seller.
3. **MINIMUM ORDER VALUE:** The minimum acceptable value of any order is \$500.00. Buyer's accumulation of several items into one purchase is authorized to reach the minimum order value.
4. **F.O.B. POINT AND SHIPMENTS ACCEPTANCE OF ORDER:** Title to the goods and risk of loss shall pass to Buyer at the FOB point. All supplies and services are sold FOB origin and the point of origin shall be that of Seller's factories or locations identified in its proposal or sales contract form unless as otherwise specifically agreed to in writing on the face of Seller's sales contract. Seller assumes no responsibility for delay, breakage, damage, or loss after delivery to the carrier as evidenced by **in good order** receipts from the carrier. All claims for loss, damage and delay in transit are to be handled by Buyer directly with the carrier. Seller shall select method of transportation and route on behalf of Buyer unless Buyer specifies the method and route and is to pay freight costs in addition to price. Seller reserves the right to make partial shipments at its discretion. Claims for shortages or incorrect items must be made in writing to Seller within seven days after receipt of shipment. Failure to give such notice shall constitute an unqualified acceptance of equipment and waiver by Buyer of all claims for such shortages or incorrect items.

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When terms are F.O.B. destination or freight allowed to destination, **destination** means common carrier delivery point nearest the destination the continental United States, excluding Alaska, Hawaii, Puerto Rico, etc.). When terms are F.O.B. job site or pad, Buyer guarantees all access roads are suitable for normal unimpeded access to site with free and clear access to area directly adjacent to the placement point of the unit with no physical obstructions and clear of stored materials.

Shipping schedules and delivery arrangements are made in best effort and good faith. Seller cannot, however, accept liability for penalty or damages resulting from shipping delays caused by Force Majeure including but not limited to strikes, fires, truck availability, labor or material shortages, Acts of God, or any other cause beyond VTC's reasonable control. Ship Separate Parts may not arrive concurrently with the transformer and some assembly may be required. Shipment may be made earlier after due notice to Buyer.

5. **BUYER'S OBLIGATION OF ASSISTANCE:** Except to the extent Seller has otherwise assumed such responsibility for itself under express provisions of the attachment hereto entitled **Proposal**, Buyer shall:
- (a) place at Seller's disposal all information necessary for performance of the work including any plans, plant layout, wiring instructions and operational information that may reasonably be expected to affect the performance of the work. This includes to the extent reasonable previous studies or reports and other data relative to the design, installation, and selection of equipment for the work to be performed by Seller.
 - (b) guarantee access to and to make all reasonable provisions for Seller to enter on its property and other public and private lands as is required for performance of the work including safe storage of equipment, materials, and tools during the process of any such off-site work.
 - (c) agree to cooperate in all reasonable ways necessary to Seller's performance of the work.
 - (d) covenant that it has disclosed fully and accurately to Seller all general and local conditions which can affect performance of the work prescribed hereunder or the price thereof. Buyer acknowledges that Seller is entitled to rely on information furnished by Buyer in developing its specifications, equipment selection, price, and other terms of this order.
6. **PAYMENT TERMS:** Terms are 30% with the initial order, 30% upon Drawing Submission, net 30 days, and 40% at shipment, net 30 days, calculated from the date of invoice if credit arrangements have been approved, in advance by Seller, and these terms are included on the Seller's proposal. **Otherwise, payment is required before shipment or delivery in a form and arrangement acceptable to Seller.** In addition to any other rights or remedies available to Seller, failure to pay the amount(s) due within the time specified will result in a late charge of one and one half (1-1/2%) percent per month to Buyer's account until final payment. Payments shall not be contingent on end-user payment to Buyer and Seller reserves the right to refuse to fulfill all obligations (including field service and voiding of warranty) if payment is not received as due. In instances involving orders for more than one unit, the foregoing

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amounts will be billed and due for each unit. In instances where items are quoted by line item in the proposal, those will be billed, and payment will be due upon rendering of each item.

Purchaser grants Seller a security in the goods to secure payment of all outstanding balances. Purchaser authorizes Seller to file financing statements, fixture filings, and to execute and file any other documents and take all other steps to perfect its security interest.

Except to the extent otherwise specified by Seller in its quotation or proposal, payments shall become due without setoff. If Seller consents to delay shipments after completion of any product, the goods may be placed in storage by Seller for Buyer's account and risk, and Buyer shall pay all charges for storage, cranes, trucking and other incidental expenses incurred by Seller and the provisions in the **Storage** paragraph below shall further apply.

Any order for products by Buyer shall constitute a representation that Buyer is solvent. In addition, upon Seller's request, Buyer will furnish a written representation concerning its solvency and provide adequate assurances of its ability to satisfy its financial obligations under its contract with Seller, including but not limited to current financial statements, at any time prior to shipment. If Buyer's financial condition at any time does not justify continuance of the work to be performed by Seller hereunder on the agreed terms of payment, Seller may require full or partial payment in advance. In the event of Buyer's bankruptcy or insolvency; or in the event any proceeding is brought against Buyer, voluntarily or involuntarily, under the bankruptcy or any insolvency laws; Seller shall be entitled to cancel any order then outstanding at any time during the period allowed for filing claims against the estate and shall receive reimbursement for its proper cancellation charges. Seller's rights under this article are in addition to all rights available to it at law or in equity.

Any delay in payment as due, will impact all deliverables from Seller including the achievement of deliverables through the guaranteed delivery date. Any extended delay in payment can be the basis for the order to be held and any applicable liquidated damages in favor of Buyer shall be deemed waived.

7. **CHARGEBACKS, SET-OFF, OFFSETS OR WITHHOLDING:** Seller will not accept any back charges, set-off, offsets, or withholding for material or services without the prior written consent of Seller.

8. **DELIVERY:** The prices quoted are for the shipment dates provided on the Seller's proposal. While the Seller shall have no obligation to comply with unilateral directives to change schedules or temporarily cease work, Seller may accommodate Buyer's reasonable written requests for acceleration or deceleration made at least ninety/sixty (90/60) days respectively prior to scheduled delivery. Such changes may or may not be accepted by Seller at its sole discretion. In the event Seller accepts such changes, Seller shall be under no

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obligation to comply therewith until a price adjustment acceptable to Seller is negotiated between the parties and evidenced by an amendment to the order. Any agreement to delay delivery shall not exceed 6 months from original acknowledgement ship date; goods not released for shipment within such revised time frame shall be automatically deemed canceled and subject to Seller's Cancellation terms listed below.

9. **Storage:** In the event goods are placed in storage at the request of the Purchaser, it is agreed that title will pass to the Purchaser upon placement into storage. Irrespective of anything herein to the contrary, Purchaser will be invoiced for the balance of the purchase price of the goods when they are placed in storage and payment will be due net 30 days. Risk of loss shall pass to Purchaser who shall be responsible for insuring the goods and Seller shall have no liability for loss or damage when the goods remain in its possession in storage. Purchaser further agrees that for any goods placed in storage, Seller will be provided a minimum of three weeks advanced notice before requested delivery out of storage and delivery will then be made subject to availability of carrier and transportation services. Payment of storage fees will be due prior to shipment from storage.

10. **EXPORT REGULATIONS:** Buyer acknowledges that if the items purchased hereunder are to be exported, they are subject to the U.S. Commerce and/or State Department Export Regulations. Buyer accepts full responsibility for and agrees to comply fully with such regulations, including obtaining export licenses and re-export permission unless otherwise agreed that Seller is to be exporter of record.

11. **CANCELLATION & TERMINATION:** Seller, in addition to all other rights and remedies under this order or at law, shall have the right to cancel and terminate Buyer's order for breach by Buyer including, but not limited to, if Buyer fails to make payment as due or if Buyer is adjudicated bankrupt, files a petition in bankruptcy, makes an assignment for the benefit of creditors or if action under any law for the relief of debtors is taken. In the event of cancellation and termination of this order for breach of the provisions hereof by Buyer, Seller shall have no further liability to Buyer and Seller shall not be liable for any costs of cancellation, special, incidental, or consequential damages (including punitive or exemplary damages) for any cause or of any nature whatsoever and such cancellation and termination. All cancellations or terminations by Seller for Buyer's breach shall be subject to the following cancellation or termination charges:

- 30% of order amount after order entry by Seller.
- Additional 15% of order amount after outline drawing completion / submission.
- If manufacturing has begun, charges will be based upon commitments for materials and percent completion in addition to the 45% for engineering and order entry.

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In the event Buyer cancels its order, Buyer shall be responsible to Seller for cancellation charges in the amounts set forth above in Cancellation & Termination paragraph 11 which Buyer shall pay Seller upon such cancellation.

12. **RESCHEDULING FEE:** Any extended delays by the customer/Purchaser which result in the loss of the scheduled production slot will be subject to a re-scheduling fee of 30% of the specific order value.

13. **PATENT INFRINGEMENT:** To the extent that the items ordered are manufactured to designs, drawings, specifications, or instructions furnished by Buyer, Buyer guarantees that the manufacture and sale or use of such items will not infringe upon any U.S., or foreign patents. Buyer further agrees to indemnify and hold harmless the Seller from any expense, loss, cost, damage, or liability of any kind which may be incurred because of any such infringement or alleged infringement of patent rights with respect to such items and to defend, at its own cost and expense, any action or claim in which such infringement is alleged. Buyer shall promptly notify Seller of any such action and shall provide Seller an opportunity, at Seller's option, to participate in any defense of such action or claim at Seller's own expense.

Seller shall hold Buyer harmless from costs actually incurred arising directly from the defense of any suit for infringement of any domestic or foreign patent by a Seller-manufactured item, provided Seller shall be given timely written notice of such suit and the option to replace the same, obtain a license, make other arrangements to avoid litigation or to defend the suit. No indemnification is offered or applicable for alleged infringement arising from the use of Seller's items in combination with other items supplied by Buyer or from compliance with drawings, specifications or instructions furnished by Buyer as described in the paragraph above. Further, no indemnification by Seller applies if this order is accepted under a U.S. government contract containing an Authorization and Consent Clause applicable hereto as prescribed by U.S. federal procurement laws and regulations.

14. **DISCLOSURE OF INFORMATION / PROPERTY OF SELLER:** Any information, suggestions or ideas transmitted by either Buyer or Seller in connection with performance hereunder are not to be regarded as secret or submitted in confidence unless it is stamped or marked **Confidential** prior to delivery by the disclosing party. Neither party shall use or disclose such property to any third party or any one not having a need to know, including employees, without the prior written consent from the disclosing party. Title to all tools, test equipment and facilities not furnished by Buyer or specifically paid for by Buyer as a separate line item under any order, shall remain with Seller. Further, Seller does not agree to submit to Buyer because of the Consideration paid under this order, any information, technical data, or drawings which are proprietary to Seller; nor does Seller agree to grant to Buyer any patent rights, title, or license without Seller's expressed prior written consent.

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15. **TAXES:** The purchase price of the Goods and Services does not include transportation taxes and sales, use, excise, value added, import or any similar tax or other governmental charge arising pursuant to or in connection with the sale, purchase, processing, delivery, storage, use, consumption, performance or transportation of the Goods and Services. Buyer is responsible for payment of any transportation taxes, and any present or future sales, use, excise, value added, import or any similar tax or other governmental charge applicable to the Agreement and to the sale and/or furnishing of the Goods and Services if a Sales Tax exemption form is not received by Seller from Buyer.

16. **EQUIPMENT WARRANTIES AND REMEDY:**

(A) For the period set forth below in this paragraph, Seller warrants that each newly manufactured item sold hereunder, and such portion of a repaired/refurbished item as has been repaired or replaced by Seller under this warranty, shall be free from defects in material, workmanship, or title at the time of shipment and shall perform during the warranty period in accordance with the specifications incorporated herein. Should any failure to conform to these warranties (excluding any defects in title) be discovered and brought to Seller's attention during the warranty period and be substantiated by examination at Seller's factory or by authorized field personnel, then (i) Seller shall correct such failure by, at Seller's exclusive option, repair or replacement of the nonconforming item or portion thereof with Buyer promptly making product available to be worked by Seller's personnel or agents without interference with no additional cost to the Seller; or (ii) Buyer making available product F.O.B. Seller's plant with Seller's written return authorization, at Seller's exclusive option, for repair or replacement of the nonconforming item or portion thereof. Buyer agrees that this remedy shall be its sole and exclusive remedy against Seller and that no other remedy shall be available or pursued by Buyer against Seller. In no event shall the Seller be liable for any costs or expenses in excess of those described in this paragraph and expressly excluding any liability or damages for special, incidental, or consequential damages.

The warranty period for newly manufactured items shall extend 12 months from the date of first energization or 18 months from the date of shipment whichever occurs first or unless a different warranty period is agreed to by Seller. The warranty period for repaired/refurbished articles shall extend for the unexpired warranty period of the item repaired or replaced or for 90 days, whichever is longer. This warranty shall be voided and not extend to any item that upon examination by Seller is found to have been subject to:

- (a) mishandling, misuse, negligence, or accident.
- (b) storage, installation, operation, testing, or maintenance that either was not in accordance with Seller's specifications, instructions, manuals, or otherwise improper, or contrary to industry standards.
- (c) tampering as evidenced for example by broken seals, damaged packaging containers, etc.

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- (d) testing of equipment above normally accepted field tests.
- (e) repair or alteration by anyone other than Seller without Seller's express advance written approval.
- (f) payment(s) not received per terms of sale.

Failure to promptly notify Seller in writing upon discovery of any non-conforming items during the warranty period shall void the warranty as to such items. Buyer shall describe any such non-conformity in detail, expressing its position as to return of any article under the remedy provided herein. No returns shall be accepted without prior approval by Seller. No back charges shall be accepted without the prior written consent of Seller's authorized representative. Where a failure cannot be corrected by Seller's reasonable efforts, the parties shall mutually agree upon an equitable adjustment in price. The preceding sets forth the exclusive remedies for claims (except as to title) based on defect whether in contract or tort (including negligence or strict liability) and however instituted. THIS WARRANTY IS EXCLUSIVE AND IN LIEU OF ANY OTHER WARRANTIES, EITHER EXPRESSED OR IMPLIED INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND SELLER DISCLAIMS IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

(B) SELLER'S INSTALLATION WARRANTY: Seller warrants that all work hereunder shall be performed in accordance with the standards employed by Seller in performing the same or similar services for itself. Seller disclaims any and all other representations or warranties expressed or implied including without limitation any representation or warranty that a) any unauthorized entry, burglary, theft, embezzlement, or any other crimes will be prevented by the equipment and/or installation thereof or that b) any particular purpose or standard of care intended or desired or any particular results to be achieved by Buyer through the installation and operation of the items to be delivered hereunder. Seller's installation services and installation warranty does not include or imply any assistance for system field troubleshooting and no back charges for such services shall be accepted without the prior written consent of Seller's authorized representative.

(C) EXTENDED WARRANTY PERIOD OPTION FOR CORE AND COIL: When purchased, the warranty period may be extended by the period specified in such purchase covering core and coils only against failure occurring with respect to normal operation and within the parameters for which the transformer was designed. For extended Warranty period, to ensure validity of Extended Warranty period coverage, Virginia Transformer requires Dissolved Gas Analysis (DGA) reports of the supplied unit to be provided every year for the period of extended warranty period coverage. The annual DGAs should be emailed to: FieldService@vatransformer.com. Failure to conduct annual DGAs and provide the reports to Seller may void the purchased extended warranty. Except for the extended time period all other provisions, terms, conditions, and limitations set forth above shall apply to the extended warranty period. In case of any disturbance in the system that causes the transformer to trip off-line, following information shall be forwarded to Virginia Transformer Corp within 48

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hours: Event summary with relevant data, Protection system data, Overvoltage conditions (If any), Fault data (if any) and offset timing with peak current value, Loading, Environmental and atmospheric conditions. Failure to timely provide this information may void the warranty.

(D) **EXTENDED BUMPER TO BUMPER WARRANTY PERIOD OPTION:** When purchased, the warranty for the extended period specified will cover the entire Transformer including core and coils and all associated transformer accessories against failure occurring with respect to normal operation and within the parameters for which the transformer was designed. Bumper to Bumper Warranty does not cover normal wear and tear including paint and gaskets beyond five years. For extended Warranty period, to ensure validity of Extended Warranty period coverage, Virginia Transformer requires Dissolved Gas Analysis (DGA) reports of the supplied unit to be provided every year for the period of extended warranty coverage, and the additional data as stated in Section 15(A) The annual DGA's should be emailed to: FieldService@vatransformer.com. Failure to conduct annual DGAs and provide the reports to Seller may void the purchased extended warranty. Except for the extended time period all other provisions, terms, conditions, and limitations set forth above shall apply to the extended warranty period.

(E) **IN/OUT COVERAGE OPTION:** When purchased, Seller will cover only the expenses to transport the transformer to a repair facility and back to site for warranty failures occurring within the period defined. Buyer will make transformer ready for shipment in the condition it was originally received per the Outline Drawing with clear and free access by Carrier. Craning, civil work, disconnection, and reconnection of the transformer, etc. is the responsibility of the Buyer.

17. **CONFIGURATION STATUS AND SUBSTITUTION OF MATERIALS:** Seller reserves the right to make substitution of materials without degrading the quality of product. Customer approval will be solicited when changes affect form, fit or function. Seller further reserves the right to discontinue any items without notice and to change or modify specifications at any time without incurring any obligation to incorporate new or modified features in components or products previously sold or shipped.

18. **LIMITATION OF LIABILITY:** Neither party shall be liable to the other for any incidental, indirect, special, punitive, or consequential damages regardless of whether liability would arise under contract or tort (including negligence and strict liability), warranty, indemnity, or otherwise. Neither party's liability on any claim for loss or damage arising out of this contract or from the performance or breach thereof shall exceed the price of the item giving rise to the claims for loss or damage in the event more than one item is included in this contract/order with distinct pricing being allocated to each item in arriving at the total contract/order price.

19. **HAZARDOUS BUSINESS:** Unless otherwise agreed in writing by an authorized representative of the Seller, goods sold hereunder are not intended for use in connection with any nuclear facility or any other hazardous activity such as commercial or military aircraft,

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missile installation, space exploration or other critical applications where failure of a single component could cause substantial harm to persons or property. If so used, Seller disclaims all liability for any nuclear damage contamination or other injury and Buyer shall indemnify and hold Seller harmless from such liability whether as a result of breach of contract, warranty, tort (including negligence) or other grounds. Neither Seller nor its suppliers shall have any liability to the Buyer or its insurers whether based on contract, warranty, tort (including negligence or strict liability) or other grounds for on-site damage to any property located at a nuclear facility.

20. **COMPLIANCE WITH LAW:** Buyer shall comply with all applicable Federal, State, municipal and local laws including but not limited to: laws concerning procurement integrity (particularly subsections 27(a), (d) and (f) of the Office of Federal Procurement Policy Act, as amended, 41 U.S.C. §423 and FAR 3.104-3; the Byrd Amendment (31 U.S.C. §1352); laws governing lobbying activities (2 U.S.C. §261 et seq., particularly § 267); laws prohibiting the giving of bribes (18 U.S.C. §201(b) or gratuities (18 U.S.C. §201 (c); the Foreign Corrupt Practices Act of 1977, as amended, (15 U.S.C. §78m, 78dd-1, 78dd-2, and 78ff). Buyer acknowledges that if items purchased are to be exported, Buyer has the complete responsibility and agrees to comply with all export laws and regulations of the U.S. Department of Commerce and of the U.S. State Department, or other governmental body. Seller hereby certifies that all goods sold hereunder which are produced or manufactured in the United States of America are products in compliance with the Fair Labor Standards Act of 1938 which shall be considered as satisfied by this certification.

21. **INSURANCE:** Buyer shall maintain its usual and customary insurance coverage for automobile, workmen's compensation and third-party liability claims during performance of this order and, if requested by Seller, name Seller an insured under its third-party liability coverage.

22. **NON-WAIVER:** The failure of Seller to enforce at any time any of the provisions of this order shall not constitute a waiver of such provisions or a waiver of the right of Seller to enforce any or all provisions. If any term or provisions of this order is held invalid or unenforceable by any court of competent jurisdiction, the remainder of this order shall continue to be valid and binding upon the parties unless performance thereof is rendered legally impractical and no longer fulfills the intention of the parties under this order.

23. **APPLICABLE LAW AND FORUM FOR RESOLUTION OF DISPUTES:** This contract shall be deemed to have been made and performed in, and shall be construed, interpreted and the rights and obligations of the parties determined by the law of the Commonwealth of Virginia excluding choice of law rules. Any dispute, controversy or claim arising out of or related to this contract, or any breach thereof, shall be resolved by binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Such arbitration shall take place in Roanoke, Va. In case of non- performance by Buyer

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requiring arbitration or other legal action, Seller's costs, and reasonable attorney's fees of arbitration or other legal action shall be the responsibility of the Buyer

24. **PRICE SURCHARGE:** In the event any components such as, core steel, mineral oil, electricity, labor etc. are subject to abnormal price increases, and VTC/GTC is not able to otherwise mitigate these increases, during the period between the proposal date and the settlement date, VTC/GTC may pass along those specific incremental cost increases.

25. **ASSIGNMENT:** Except as otherwise expressly provided herein, no assignment of this order or Buyer's rights under this order shall be made by Buyer without the prior written agreement of the Seller. All amounts due to the Seller, including the assignment fee of \$10,000, must be paid to the Seller before any assignments will be granted. In addition, Buyer must provide financial and other information as requested by the Seller to support the ability of the assignee to pay future amounts that may become due. Seller reserves the right to deny any request for assignment.

26. **FORCE MAJEURE:** In addition to other liability limitation herein contained, seller shall not be responsible to the Buyer for any loss or damage due to failure or delay in performance or delivery of any of the items or services required under this order when such delay or failure is due to causes beyond the Seller's reasonable control. Such causes shall include without limitation fires, floods, epidemics, pandemics, quarantines, unusually severe weather, strikes, embargoes, wars, political strife, riots, delays in transportation, compliance with any regulation or directives of any national, state, or local municipal government or authority and unforeseeable shortages in fuel, power, materials, or labor. Seller shall not be liable for delays in delivery or performance, or for failure to manufacture, deliver or perform, due to an inability on account of a cause beyond the reasonable control of Seller to obtain necessary materials, components, services, or facilities. Seller will notify Buyer of any material delay excused by this clause and will specify the revised delivery date as soon as practicable. In the event of any such delay, there will be no termination and the date of delivery or of performance shall be extended for a period equal to the time lost by reason of the delay.

27. **ORDER TERMS EXCLUSIVE:** These Terms and Conditions together with Seller's Proposal and Order Acknowledgement constitute the entire and sole agreement between the parties concerning the subject matter of this order and the parties acknowledge and agree that none of them has made any representation with respect to the subject matter of this order or any representations including the execution and delivery hereof except as specifically set forth herein. Captions as used herein are for convenience or reference only and shall not be deemed or construed as in any way limiting or extending the meaning of any terms and conditions contained herein.

28. **CUSTOMER CONTRACTS:** Buyer will include in its contracts with its purchaser customers the warranty conditions and limitations Section 15 (Equipment Warranties and Remedy), and the limitations of liability provisions set out in Section 17 (Limitation of Liability). Buyer shall

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indemnify and hold harmless Seller from any liability to any customer or third parties as a result of the failure to include such conditions and limitations in its contracts with its purchaser customers.

29. **MODIFICATION:** This order may not be modified except by written instrument executed by the following authorized representatives; Director of Contracts, Director of Finance, Senior VP of Materials / MIS, Corporate Controller, President, and CEO.

30. **SECTION TITLES:** Section titles appearing in the General Terms and Conditions of Sale are for convenience only and shall not be construed as interpretations of text.

31. **APPENDICIES:** Any appendix or other terms and conditions of the Seller as may be attached hereto and/or identified herewith are hereby incorporated and made a part of these Terms and Conditions and all orders or contracts shall be subject to such additional terms and conditions which shall control over any inconsistency with the Terms and Conditions stated herein.

32. **"Intellectual Property Rights"** means all registered and unregistered intellectual property rights throughout the world, including rights in patents, copyrights, trademarks, trade secrets, designs, databases, and domain names and moral rights.

33. **Grant of License by VTC Upon** receipt of full payment for the Transformer and conditioned upon Customer not defaulting on its obligations under this Agreement, VTC hereby grants to Customer a perpetual, royalty-free license to use the Intellectual Property Rights of VTC which are incorporated in the Transformer. Such license is limited solely to the use of the Transformer by Customer for the purposes and at the location described in VTC's Proposal. Customer may only transfer this license to a third party upon first providing VTC with a written acknowledgment by such transferee of VTC's ownership of its Intellectual Property Rights contained in the Transformer.

34. If any purchase order submitted by the owner/purchaser contains or invokes terms or conditions other than this Contract or the Terms and Conditions agreed to between VTC and the owner/purchaser, then Seller/VTC may, without penalty, reject said terms and conditions on the purchase order by striking them out.

MEMORANDUM

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

From: Mike Wittler

Date: December 8, 2023

Re: Item 5. D. 4.—Professional Services, Schneider Engineering

Staff is recommending the approval of the following purchase orders to Schneider Engineering for professional services:

- Substation Study in the Rimrock & Legion Area: The attached email proposal outlines the services that Schneider has proposed to evaluate the need for additional capacity for both Rimrock and Legion substations. The estimate for this scope of work is \$10,000.
- Harper Road 30 Transmission Underbuild Redesign: Schneider has been doing design work to correct problems that we have with a section of line attached to an LCRA transmission line West of Harper Road. This section of line is approximately one mile long and it normally serves the neighborhoods around Coronado Drive. The estimate for this scope of work is \$24,000.

In October the Board approved purchase orders to Schneider for the following:

- Power Supply Planning and ERCOT Market Support, \$105,000.
- Regulatory Support Services, \$24,000.

I will be happy to address any questions from the Board regarding the recommended purchase orders to Schneider Engineering.

Thanks,



Mike Wittler, P.E.

From: [Michelle Nance](#)
To: [Mike Wittler](#)
Cc: [Lidia Goldthorn](#)
Subject: RE: Recommendations for Distribution/Substation Capacity Additions/ Real Estate Acquisition
Date: Wednesday, November 29, 2023 10:29:31 AM
Attachments: [image007.png](#)
[image008.png](#)
[image009.png](#)
[image010.png](#)
[image011.png](#)
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[image029.png](#)
[image030.png](#)

Mike,

The scope of the Substation Study in the Rimrock & Legion area is as follows:

- Update your load forecast to include the expected development areas between Rimrock and Legion substation service areas.
- Complete minor updates to the system model to prepare for the study.
- Run analysis to evaluate load serving options for the area which include both distribution and substation solutions.
- Complete a substation capacity analysis for both Rimrock and Legion substations.
- Evaluate the need and justification for a new substation source. Locations adjacent to the existing Rimrock LCRA transmission route as well as east along HWY 16 will be evaluated.
- Deliver results in a report.
- Attend and present to the Board, as needed, to support purchase of the substation property.

I estimate the study cost at \$10K, and we would begin as soon as we receive the requested system data. Please let me know if you need anything further.

Thanks,
Michelle

Michelle Nance, P.E.
Delivery Lead – System Planning
mnance@poweredbysenergy.com



TX Reg. #F-1594
191 Menger Springs Parkway - Boerne TX 78006
O: 830.249.3887 x506 | POWEREDBYENERGY.COM

CHECK OUT OUR NEW WEBSITE!



From: Mike Wittler <mwittler@kpub.com>
Sent: Tuesday, November 28, 2023 8:44 PM
To: Michelle Nance <mnance@poweredbysenergy.com>
Cc: Lidia Goldthorn <lgoldthorn@kpub.com>
Subject: RE: Recommendations for Distribution/Substation Capacity Additions/ Real Estate Acquisition

Michelle,

I would like to setup a separate PO. Can you please provide scope of work and cost estimate (with cc to Lidia)?

Thanks,
Mike



Mike Wittler
General Manager and CEO
Kerrville Public Utility Board
2250 Memorial Blvd, Kerrville, Texas 78028
O: 830.792.8270 • F: 830.792.8231
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From: Michelle Nance <mnance@poweredbysenergy.com>
Sent: Tuesday, November 28, 2023 3:43 PM
To: Mike Wittler <mwittler@kpub.com>
Subject: RE: Recommendations for Distribution/Substation Capacity Additions/ Real Estate Acquisition

Good Afternoon Mike,

I'm checking back on the Distribution/Substation analysis we're completing. Will you be issuing a PO for this work? Please let me know if we need a PO for this. I am awaiting system information for the study and sent Data transfer request to Ricardo today.

Thanks,
Michelle

From: [Ricardo Berrios Jr.](#)
To: [Amy Dozier](#); [Mike Wittler](#)
Subject: FW: R01268 Transmission Underbuild (HR30 Underbuild)
Date: Friday, November 17, 2023 2:57:10 PM
Attachments: [image012.png](#)
[image013.png](#)
[image014.png](#)

Mike,

The previous email provides cost information on what is currently and expected to reach from Kevin's email. Unfortunately, the HR30 Underbuild design has cost KPUB an unestimated amount of money to correct the problem. As it's an ongoing issue, I hope KPUB can resolve it immediately to avoid future corrections and additional costs.

After talking to Kevin, he feels that one insulator is insufficient to resolve galloping and phase contacting each other. Kevin is discussing with AR Prodct about having three insulators to form a triangle shape to fix the problem. He will keep us posted.

Thanks



Ricardo Berrios, Jr.

Distribution Engineer

Kerrville Public Utility Board

2250 Memorial Blvd, Kerrville, Texas 78028

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F: 830.792.8231

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From: Kevin R. Winkler <kwinkler@se-texas.com>
Sent: Friday, November 17, 2023 2:18 PM
To: Ricardo Berrios Jr. <rberrios@kpub.com>
Cc: Greg W. Baumbach <gbaumbach@se-texas.com>
Subject: RE: R01268 Transmission Underbuild (HR30 Underbuild)

Ricardo,

I double checked the budget and we are currently at \$20,648.00.

AR Products is still experiencing difficulties providing a recommendation to solve the galloping issue. We are working with them to find a solution but there is still some uncertainties with the design. We may need to design crossarms to correct this issue.

Due to the uncertainties with the design at this point, we estimate that the additional engineering cost will range between \$23,000.00- \$28,000.00 for a total of \$43,648.00- \$48,648.00.

Let us know if you have any questions.

Thanks,

KEVIN WINKLER, P.E.

kwinkler@se-texas.com



Schneider Engineering, LLC

TX Reg. #F-1594

191 Menger Springs Parkway – Boerne, TX 78006

830.249.3887 | www.se-texas.com



From: Ricardo Berrios Jr. <rberrios@kpub.com>
Sent: Friday, November 17, 2023 1:24 PM
To: Kevin R. Winkler <kwinkler@se-texas.com>
Cc: Greg W. Baumbach <gbaumbach@se-texas.com>
Subject: R01268 Transmission Underbuild (HR30 Underbuild)

Kevin,

Per our conversation yesterday, did you discuss the cost proposal with Greg today? I want to pass the cost information on to Mike.

Thanks



Ricardo Berrios, Jr.

Distribution Engineer

Kerrville Public Utility Board

2250 Memorial Blvd, Kerrville, Texas 78028

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F: 830.792.8231

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MEMORANDUM

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

From: Amy Dozier

Date: December 7, 2023

Re: Agenda Item No. 6 – Financial Report

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

Highlights include:

- **\$130K decrease in net position** for the month, **\$22K increase** in net position on a year-to-date (YTD) basis, which is \$71K lower than budget.
- **\$3.2M in operating revenue** for the month, **\$5.2M** on a YTD basis.
 - Through November, operating revenue is 31.2% lower than expected due to low prices for purchased power. kWh sales are slightly (2.8%) lower than budget, but the variance is primarily due to low natural gas-based power prices. Low natural gas prices are driven by a combination of weak weather demand, near record production, inflated storage levels and continued LNG export delays.
- **\$3.5M in operating expense** for the month, **\$5.5M** on a YTD basis.
 - YTD operating expense is 28.0% lower than budget due primarily to variances in purchased power and distribution categories. The largest impact is lower than expected purchased power cost due to low natural gas prices previously discussed. In addition, distribution costs are lower than budget due primarily to a timing difference on the purchase of new radios. The purchase was budgeted in November, but the project is now scheduled for completion in December.
- **\$244K in operating loss** for the month, **\$252K in operating loss** on a YTD basis.
- **\$15.0M in over collection of power cost adjustment** as of 11/30/2023, an **increase of \$246K** from the prior month.
- **\$43.2M 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 5.48% as of December 7, 2023. Rates on the investment pool accounts are 5.55% at LOGIC and 5.37% at TexPool as of December 7, 2023.

A new rate structure was implemented on November 1, 2023. The overall residential bill for 1,000 kWh of power remains at \$102.50, but the power cost portion of the bill was reduced from \$72.95 to \$70.45 by reducing the power cost adjustment factor. The neutral recovery rate for the month of November was \$99.65, resulting in a small increase in the over collection account. We continue to monitor prices closely and recommend keeping the PCA at \$102.50 at this time.

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

Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended November 30, 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	\$ 1,726,811	\$ 1,878,369	\$ (151,558)	-8.07%	\$ 1,841,669	\$ (114,858)	-6.24%
Commercial/Industrial	1,435,464	1,633,359	(197,895)	-12.12%	1,590,418	(154,954)	-9.74%
Sales to Public Authorities	21,681	21,500	181	0.84%	18,049	3,632	20.13%
Other	36,200	47,241	(11,042)	-23.37%	75,547	(39,347)	-52.08%
TOTAL OPERATING REVENUES	3,220,156	3,580,469	(360,313)	-10.06%	3,525,682	(305,527)	-8.67%
OPERATING EXPENSES:							
Purchased Power	2,120,337	2,421,314	300,977	12.43%	2,454,304	333,967	13.61%
Distribution	397,456	604,784	207,328	34.28%	310,709	(86,747)	-27.92%
Customer Accounts	72,372	66,502	(5,870)	-8.83%	60,368	(12,004)	-19.88%
Customer Service, Informational & Sales	43,537	36,916	(6,621)	-17.94%	29,325	(14,212)	-48.46%
Administrative Expenses	467,517	450,889	(16,628)	-3.69%	367,309	(100,208)	-27.28%
Depreciation & Amortization	362,875	356,814	(6,061)	-1.70%	320,035	(42,840)	-13.39%
TOTAL OPERATING EXPENSES	3,464,095	3,937,219	473,124	12.02%	3,542,051	77,956	2.20%
OPERATING INCOME (LOSS)	(243,939)	(356,750)	112,811	31.62%	(16,368)	(227,571)	-1390.33%
NONOPERATING REVENUES (EXP):							
Interest Income - Investments	196,079	135,417	60,662	44.80%	104,076	92,003	88.40%
Interest Income - City of Kerrville	12,857	12,857	-	0.00%	15,000	(2,143)	-14.29%
Interest Expense	(8,447)	(7,992)	(455)	5.69%	(8,749)	302	-3.45%
City of Kerrville - General Fund Transfer	(102,956)	(111,935)	8,979	-8.02%	(108,893)	5,937	-5.45%
City of Ingram - Franchise Fee	(2,431)	(2,907)	476	-16.38%	(2,318)	(113)	4.89%
Other - Net	2,899	2,417	482	19.95%	1,341	1,558	116.24%
TOTAL NONOPERATING REVENUES (EXP)	98,000	27,857	70,144	251.80%	457	97,543	21341.46%
INCOME BEFORE CONTRIBUTIONS	(145,939)	(328,894)	182,955	55.63%	(15,911)	(130,028)	-817.22%
CAPITAL CONTRIBUTIONS	15,875	30,000	(14,125)	-47.08%	15,380	495	3.22%
CHANGE IN NET POSITION	\$ (130,064)	\$ (298,894)	\$ 168,830	56.48%	\$ (531)	\$ (129,533)	-24378.98%
NET POSITION AT BEGINNING OF MONTH	\$ 78,485,950				\$ 74,165,487		
NET POSITION AT END OF MONTH	\$ 78,355,887				\$ 74,164,956		

Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended November 30, 2023
(Unaudited)

	Comparison to Budget				Comparison to Last Year		
	Year to Date	Year to Date	Variance	Percentage Variance	Year to Date	Variance	Percentage Variance
		Budget Amount	Favorable (Unfavorable)		Last Year Amount	Favorable (Unfavorable)	
OPERATING REVENUES:							
Residential	\$ 2,872,330	\$ 4,026,732	\$ (1,154,402)	-28.67%	\$ 4,110,672	\$ (1,238,342)	-30.13%
Commercial/Industrial	2,252,922	3,458,198	(1,205,276)	-34.85%	3,410,349	(1,157,427)	-33.94%
Sales to Public Authorities	43,346	43,000	346	0.81%	39,605	3,741	9.45%
Other	77,478	101,273	(23,795)	-23.50%	115,221	(37,743)	-32.76%
TOTAL OPERATING REVENUES	5,246,077	7,629,204	(2,383,127)	-31.24%	7,675,847	(2,429,770)	-31.65%
OPERATING EXPENSES:							
Purchased Power	2,994,244	4,787,575	1,793,331	37.46%	5,430,032	2,435,788	44.86%
Distribution	659,266	959,568	300,302	31.30%	489,396	(169,870)	-34.71%
Customer Accounts	100,986	133,005	32,019	24.07%	103,599	2,613	2.52%
Customer Service, Informational & Sales	105,489	73,832	(31,657)	-42.88%	50,667	(54,822)	-108.20%
Administrative Expenses	916,575	970,528	53,953	5.56%	784,026	(132,549)	-16.91%
Depreciation & Amortization	721,209	711,969	(9,241)	-1.30%	638,245	(82,964)	-13.00%
TOTAL OPERATING EXPENSES	5,497,769	7,636,476	2,138,707	28.01%	7,495,964	1,998,195	26.66%
OPERATING INCOME (LOSS)	(251,692)	(7,272)	(244,420)	-3361.02%	179,883	(431,575)	-239.92%
NONOPERATING REVENUES (EXP):							
Interest Income - Investments	390,538	270,833	119,704	44.20%	196,097	194,441	99.16%
Interest Income - City of Kerrville	25,714	25,714	-	0.00%	30,000	(4,286)	-14.29%
Interest Expense	(17,998)	(17,097)	(900)	5.26%	(18,572)	574	-3.09%
City of Kerrville - General Fund Transfer	(169,894)	(237,918)	68,024	-28.59%	(236,158)	66,265	-28.06%
City of Ingram - Franchise Fee	(5,565)	(6,232)	668	-10.71%	(4,933)	(632)	12.81%
Other - Net	916	4,833	(3,918)	-81.06%	2,478	(1,562)	-63.05%
TOTAL NONOPERATING REVENUES (EXP)	223,711	40,134	183,578	457.41%	(31,088)	254,799	819.60%
INCOME BEFORE CONTRIBUTIONS	(27,981)	32,862	(60,842)	-185.15%	148,795	(176,776)	-118.81%
CAPITAL CONTRIBUTIONS	49,726	60,000	(10,274)	-17.12%	42,459	7,267	17.11%
CHANGE IN NET POSITION	\$ 21,745	\$ 92,862	\$ (71,116)	-76.58%	\$ 191,254	\$ (169,509)	-88.63%
NET POSITION AT BEGINNING OF YEAR	\$ 78,334,141				\$ 73,973,702		
NET POSITION AT END OF MONTH	\$ 78,355,887				\$ 74,164,956		

Kerrville Public Utility Board
Balance Sheet
As of November 30, 2023

ASSETS & DEFERRED OUTFLOWS	November 30, 2023	September 30, 2023	LIABILITIES, DEFERRED INFLOWS & NET POSITION	November 30, 2023	September 30, 2023
CURRENT ASSETS			CURRENT LIABILITIES		
Revenue Fund:			Current Maturities of Long-Term Liabilities	\$ 647,227	\$ 633,226
Cash and Cash Equivalents	\$ 447,816	\$ 720,093	Accounts Payable - Purchased Power	9,590,607	9,426,795
Investments	33,391,234	30,433,641	Accounts Payable and Accrued Liabilities	927,949	1,427,823
Less: Customer Deposits	(528,712)	(512,924)	Over Collection of Power Cost Adjustment	15,009,975	12,516,345
Total Revenue Fund	<u>33,310,338</u>	<u>30,640,810</u>	TOTAL CURRENT LIABILITIES	<u>\$ 26,175,758</u>	<u>\$ 24,004,189</u>
Construction Fund:			NONCURRENT LIABILITIES		
Cash and Cash Equivalents	5,437	5,389	2013 Revenue Bonds, net of current portion	\$ 1,965,000	\$ 2,413,000
Investments	1,542,323	1,528,354	Lease Liability	81,546	84,352
Total Construction Fund	<u>1,547,761</u>	<u>1,533,743</u>	Subscription Liability	629,409	692,268
Rate Stabilization Fund:			Customer Deposits	534,734	518,082
Investments	2,029,693	2,011,309	Net Pension Liability	3,877,307	3,877,307
Total Rate Stabilization Fund	<u>2,029,693</u>	<u>2,011,309</u>	Total OPEB Liability	<u>260,808</u>	<u>260,808</u>
Long Term Rate Stabilization Fund:			TOTAL NONCURRENT LIABILITIES	<u>\$ 7,348,805</u>	<u>\$ 7,845,817</u>
Investments	2,443,328	2,421,198	DEFERRED INFLOWS - PENSION AND OPEB	<u>\$ 1,809,602</u>	<u>\$ 1,809,602</u>
Total Rate Stabilization Fund	<u>2,443,328</u>	<u>2,421,198</u>	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 35,334,165</u>	<u>\$ 33,659,608</u>
Customer Accounts Receivable, net of allowance	3,586,229	4,893,842	TOTAL NET POSITION	<u>\$ 78,355,887</u>	<u>\$ 78,334,141</u>
Current Portion - Advance to City of Kerrville	1,071,428	1,071,428			
Materials and Supplies	1,285,088	1,233,153			
Other	913,820	888,455			
TOTAL CURRENT ASSETS	<u>\$ 46,187,685</u>	<u>\$ 44,693,938</u>			
NONCURRENT ASSETS					
Customer Deposits	\$ 528,712	\$ 512,924			
Interest and Sinking Fund	43,658	440,861			
Emergency, Repair, Replace, Contingency Fund	3,795,077	3,760,703			
Advance to City of Kerrville, net of current portion	5,357,143	5,357,143			
Capital Assets, net of Accum Depreciation	52,132,275	51,570,688			
Right to Use Assets, Net of Accum Amortization	100,046	109,047			
Subscription Assets, Net of Accum Amortization	950,554	953,542			
TOTAL NONCURRENT ASSETS	<u>\$ 62,907,465</u>	<u>\$ 62,704,909</u>			
DEFERRED OUTFLOWS - PENSION AND OPEB	<u>\$ 4,594,902</u>	<u>\$ 4,594,902</u>			
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 113,690,052</u>	<u>\$ 111,993,749</u>	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	<u>\$ 113,690,052</u>	<u>\$ 111,993,749</u>

Kerrville Public Utility Board
Invested Funds Detail
For the Month Ended November 30, 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 Fund
Beginning Fund Balance		\$ 33,070,972	\$ 1,535,444	\$ 2,020,640	\$ 2,432,430	\$ -	\$ 0	\$ 3,778,150	\$ 42,837,636
Withdrawals:									
Happy Investment - TML	11/01/23	(78,371)							(78,371)
Happy Investment - ERCOT	11/14/23	(2,000)							(2,000)
Happy Investment - TMRS	11/15/23	(81,642)							(81,642)
Happy Investment - ERCOT	11/15/23	(95)							(95)
Happy Investment - DG Solar	11/17/23	(5)							(5)
Happy Investment - NextEra	11/17/23	(485,088)							(485,088)
Happy Investment - ERCOT	11/21/23	(45,710)							(45,710)
Happy Investment - CPS	11/22/23	(777,981)							(777,981)
Happy Investment - DG Solar	11/24/23	(46,748)							(46,748)
Happy Investment - Engie	11/29/23	(79,544)							(79,544)
Happy Investment - Garland	11/29/23	(41,505)							(41,505)
Happy Investment - LCRA	11/30/23	(646,478)							(646,478)
Investments:									
Happy Investment	11/10/23	500,000							500,000
Happy Investment	11/15/23	500,000							500,000
Happy Investment	11/22/23	500,000							500,000
Happy Investment	11/27/23	400,000							400,000
Happy Investment	11/30/23	600,000							600,000
Fund Balance after Withdrawals & Investments		33,285,807	1,535,444	2,020,640	2,432,430	-	0	3,778,150	43,052,472
Allocation of:									
Interest Income	11/30/23	149,079	6,879	9,053	10,898	-	6	16,927	192,842
Total Interest Allocation		149,079	6,879	9,053	10,898	-	6	16,927	192,842
Fund Balance After Allocations		33,434,886	1,542,323	2,029,693	2,443,328	-	6	3,795,077	43,245,314
Interfund Transfers :									
Debt Service	11/30/23	(43,652)					43,652		-
COK Advance Repayment									-
Ending Fund Balance		\$ 33,391,234	\$ 1,542,323	\$ 2,029,693	\$ 2,443,328	\$ -	\$ 43,658	\$ 3,795,077	\$ 43,245,314

Kerrville Public Utility Board
 Computation of the Monthly and Annual Debt Service Coverage
 For the Month Ended November 30, 2023

Description	Current Month	Fiscal Year	Previous 12 Months
CHANGE IN NET POSITION	\$ (130,064)	\$ 21,745	\$ 4,190,931
PLUS:			
Interest Expense (net of amortizations)	8,447	17,998	126,724
Depreciation & Amortization Expense	362,875	721,209	4,168,077
Numerator	241,258	760,952	8,485,732
DIVIDED BY:			
Interest Expense (net of amortizations)	8,447	17,998	126,724
Principal Payment Due	52,769	633,227	633,227
Denominator	\$ 61,216	\$ 651,224	\$ 759,951
DEBT SERVICE COVERAGE RATIO	3.94	1.17	11.17
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: Allison Bueché

Date: December 6, 2023

Re: Agenda Item No. 7–Discussion on KPUB Customer Satisfaction Survey Results

KPUB conducted an annual customer satisfaction survey during spring 2023 through Great Blue Research to help us measure our community's overall satisfaction with the service KPUB provides. The survey was pushed out to our customers for responses through KPUB's social media, email, website and bill messages for two months. It was closed in June 2023, and we had 1,937 total customer responses.

The survey also included an opportunity for municipally owned utilities that received high marks from their results to be recognized for their positive performance with a 2023 Public Power Customer Satisfaction Award through the American Public Power Association (APPA).

The winners of APPA's Public Power Customer Satisfaction Awards were chosen at gold, silver, and bronze levels based on customer survey responses. The utilities were recognized for setting the highest bar in the industry in terms of engaging, communicating and servicing their customers' needs. KPUB was one of just nine utilities from across the nation that received this prestigious award from APPA based on our high ratings. The silver-level Customer Satisfaction Award is the result of receiving average ratings above 90% from customers in the areas of:

- customer service
- field personnel
- communication
- reliability
- value
- outage response
- innovation
- and overall satisfaction

Our 2023 survey results from this award are attached. Please let me know if you have any questions or concerns.

Sincerely,



Allison Bueché
Director of Customer & Community
Relations



American Public Power Association

The Public Power Customer Satisfaction Awards will recognize municipal utilities for positive performance among several criteria and characteristics evaluated in the core Public Power Data Source 2.0 (PPDS) survey instrument. To qualify for a Public Power Customer Satisfaction Award, utilities must subscribe to the PPDS 2.0.

Subscribers may receive an award for receiving excellent ratings in the following areas:

- overall satisfaction
- customer service
- field personnel
- communication
- reliability
- rates/value for cost
- outage response
- innovative programs and services



Utilities will receive an award based on their average rating for all criteria. Utilities are eligible for an award among several award levels. If a utility scores an average rating of 80% or higher for these categories, they will attain a bronze-level award. At a 90% average rating or higher, they will attain a silver-level award, and at a 95% average rating or higher, they will attain a gold-level award.

Winners will be recognized at APPA's annual [Customer Connections Conference](#), and APPA will provide marketing collateral to help them publicize their achievement with customers and stakeholders.



Powering Strong Communities

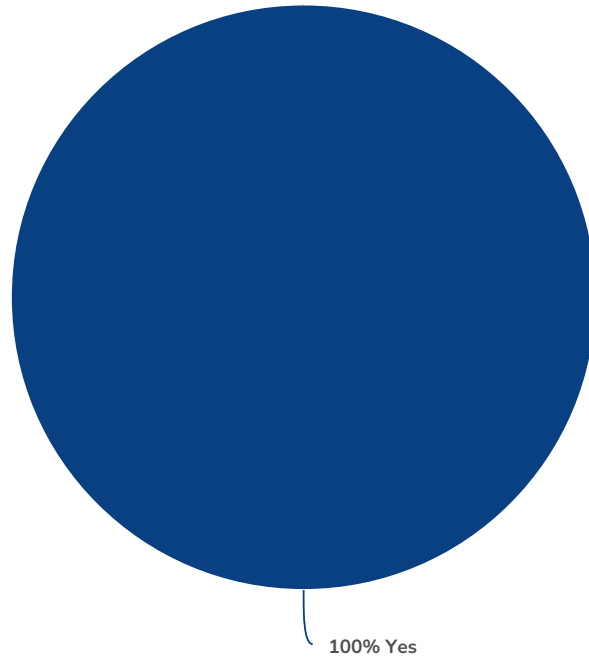
Report for PPDS Customer Satisfaction Awards Survey - Kerrville Public Utility Board

Response Counts



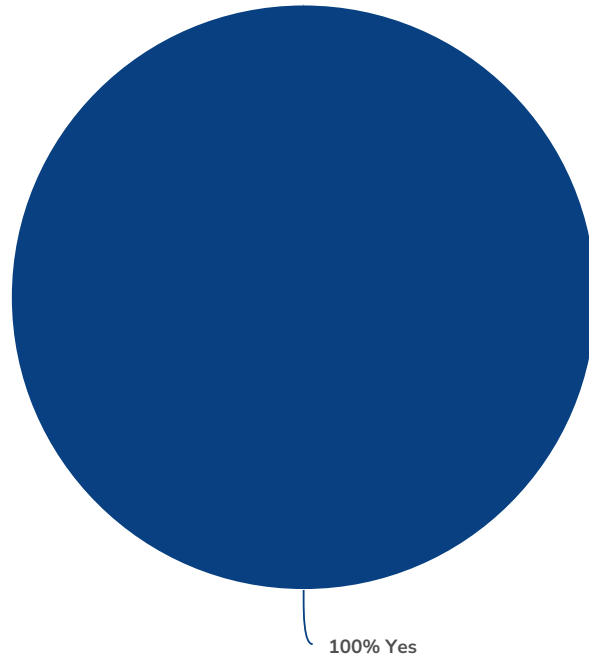
Totals: 1,937

1. Are you currently one of the heads of your household and eighteen years of age or older?



Value	Percent	Responses
Yes	100.0%	1,937
		Totals: 1,937

2. Are you currently a customer of and receive a regular monthly electric bill from Kerrville Public Utility Board?



Value	Percent	Responses
Yes	100.0%	1,937
		Totals: 1,937

3. Please think specifically about Kerrville Public Utility Board. Please read the following list of different organizational characteristics. For each one, please rate Kerrville Public Utility Board on a scale of one (1) to ten (10) where one is very good and ten is very poor.

	1 - Very Good	2	3	4	5	6	7	8	9	10 - Very Poor	DK/NA	Responses
Communicating with customers Count Row %	1,292 66.7%	235 12.1%	117 6.0%	47 2.4%	80 4.1%	22 1.1%	11 0.6%	14 0.7%	12 0.6%	13 0.7%	94 4.9%	1,937
Providing good service and value for the cost of electricity Count Row %	1,316 67.9%	295 15.2%	114 5.9%	44 2.3%	66 3.4%	16 0.8%	17 0.9%	19 1.0%	16 0.8%	13 0.7%	21 1.1%	1,937
Restoring power after an outage in a reasonable amount of time Count Row %	1,271 65.6%	308 15.9%	111 5.7%	33 1.7%	40 2.1%	20 1.0%	17 0.9%	13 0.7%	9 0.5%	8 0.4%	107 5.5%	1,937
Providing consistent and reliable electric service to customers Count Row %	1,490 76.9%	265 13.7%	66 3.4%	22 1.1%	36 1.9%	11 0.6%	6 0.3%	16 0.8%	11 0.6%	7 0.4%	7 0.4%	1,937
Offering innovative programs and services Count Row %	884 45.6%	225 11.6%	118 6.1%	63 3.3%	102 5.3%	30 1.5%	17 0.9%	14 0.7%	12 0.6%	14 0.7%	458 23.6%	1,937
Overall satisfaction with Kerrville Public Utility Board Count Row %	1,342 69.3%	306 15.8%	105 5.4%	36 1.9%	56 2.9%	20 1.0%	15 0.8%	18 0.9%	12 0.6%	8 0.4%	19 1.0%	1,937

	1 - Very Good	2	3	4	5	6	7	8	9	10 - Very Poor	DK/NA	Responses
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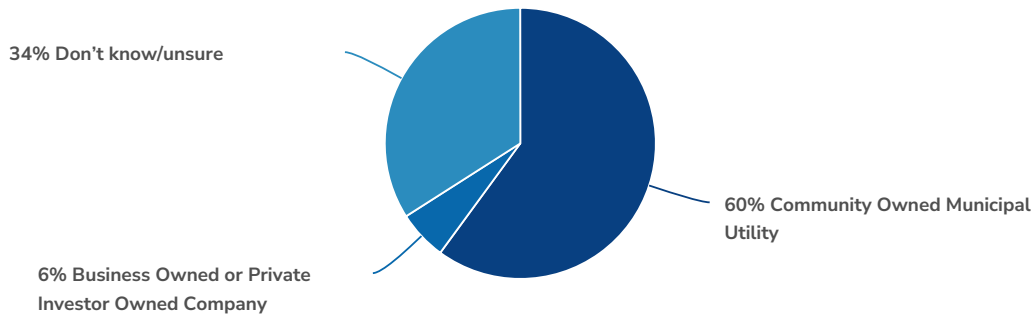
Totals

Total

Responses

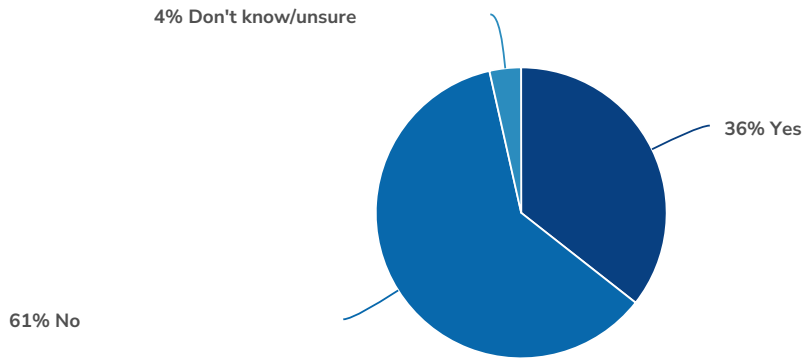
1937

4. Please think for a moment about who owns your electric company. In some cases, electric utilities are owned by a town or group of towns in the area in which they provide power. For our purposes today, we will call them “Community-Owned Municipal Utilities.” Now, in other cases, electric utilities are owned by investor-owned companies. We will call them “Business-Owned or Private Investor-Owned Companies.” Would you say that your own electric service is provided by a “Community-Owned Municipal Utility” or a “Business-Owned or Privately-Owned Investor Company?”



Value	Percent	Responses
Community Owned Municipal Utility	60.0%	1,163
Business Owned or Private Investor Owned Company	5.9%	115
Don't know/unsure	34.0%	659
		Totals: 1,937

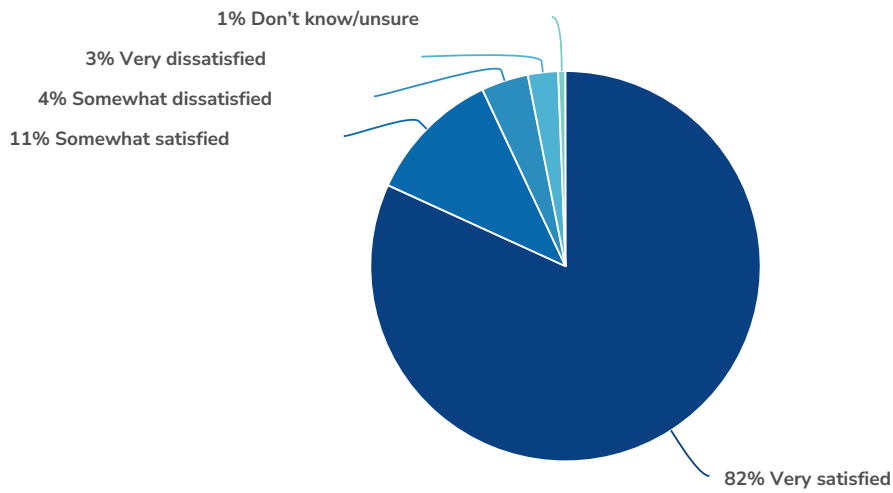
5. Have you contacted Kerrville Public Utility Board in the last 12 months?



Value	Percent	Responses
Yes	35.6%	690
No	60.9%	1,180
Don't know/unsure	3.5%	67

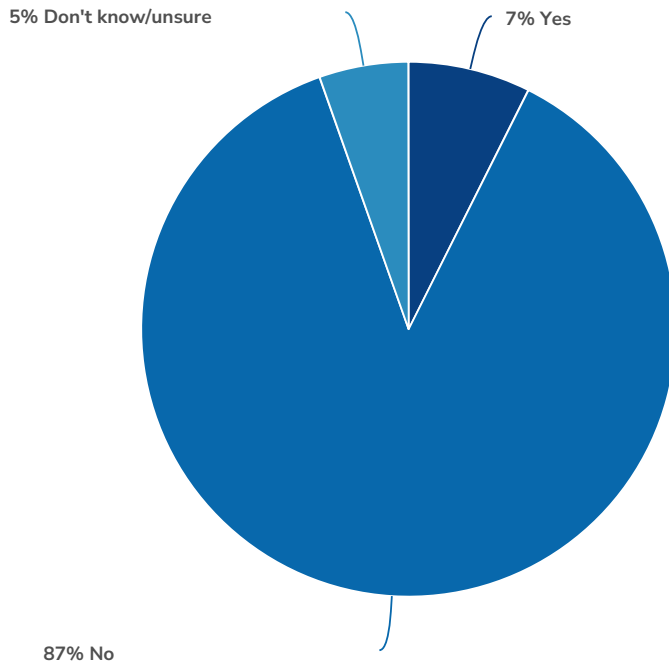
Totals: 1,937

6. How satisfied were you with the service provided by the customer service department?



Value	Percent	Responses
Very satisfied	81.9%	565
Somewhat satisfied	11.2%	77
Somewhat dissatisfied	3.9%	27
Very dissatisfied	2.5%	17
Don't know/unsure	0.6%	4
		Totals: 690

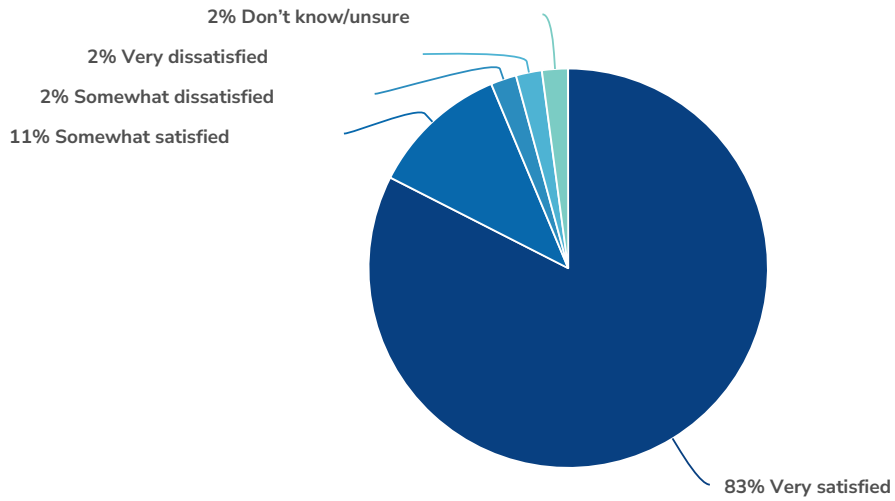
7. Have you had a field representative visit your home in the last 12 months?



Value	Percent	Responses
Yes	7.4%	143
No	87.2%	1,690
Don't know/unsure	5.4%	104

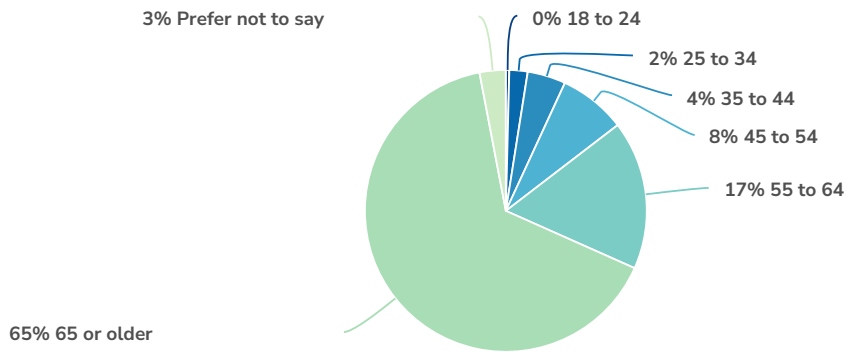
Totals: 1,937

8. How satisfied were you with the service provided by the field service department?



Value	Percent	Responses
Very satisfied	82.5%	118
Somewhat satisfied	11.2%	16
Somewhat dissatisfied	2.1%	3
Very dissatisfied	2.1%	3
Don't know/unsure	2.1%	3
		Totals: 143

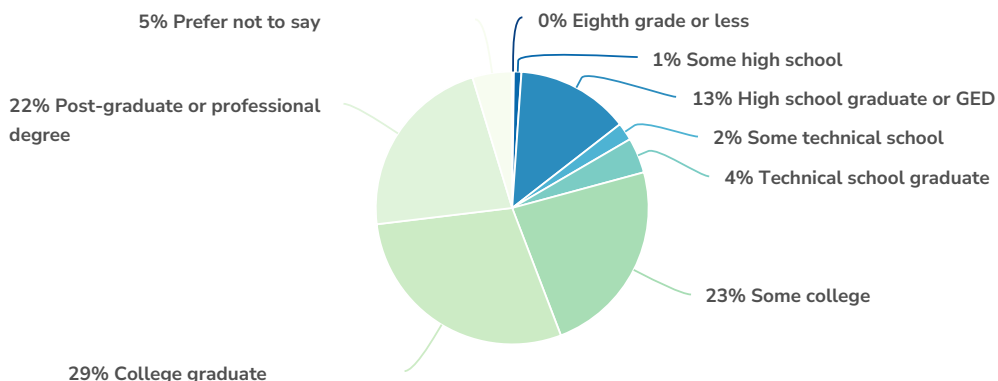
9. Which of the following categories best reflects your age?



Value	Percent	Responses
18 to 24	0.4%	7
25 to 34	2.1%	40
35 to 44	4.4%	85
45 to 54	7.7%	149
55 to 64	17.1%	331
65 or older	65.4%	1,267
Prefer not to say	3.0%	58

Totals: 1,937

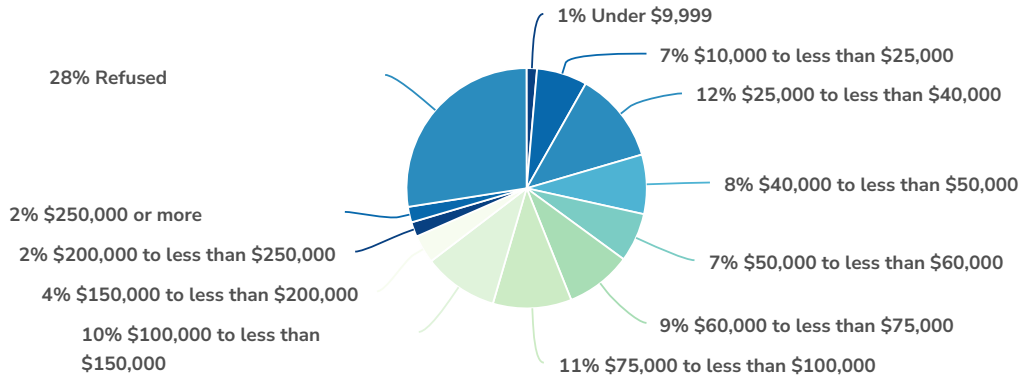
10. What is your highest grade of school completed?



Value	Percent	Responses
Eighth grade or less	0.2%	3
Some high school	0.9%	18
High school graduate or GED	13.4%	259
Some technical school	2.1%	40
Technical school graduate	4.2%	82
Some college	23.4%	453
College graduate	28.9%	560
Post-graduate or professional degree	22.2%	430
Prefer not to say	4.7%	92

Totals: 1,937

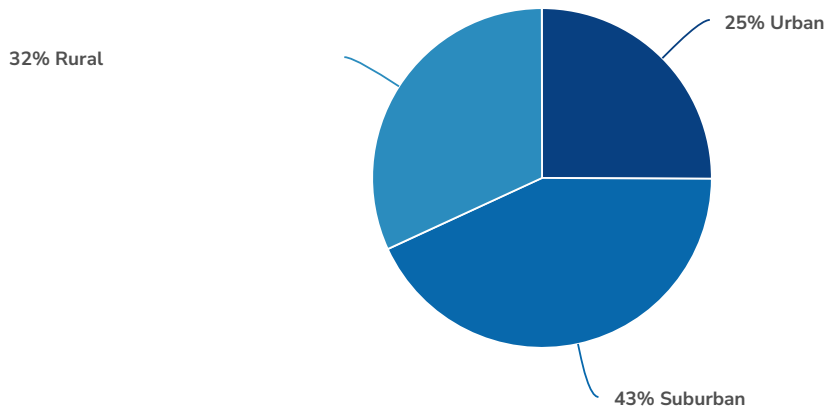
11. Which of the following categories best describes your total family income before taxes?



Value	Percent	Responses
Under \$9,999	1.4%	27
\$10,000 to less than \$25,000	6.8%	131
\$25,000 to less than \$40,000	12.3%	239
\$40,000 to less than \$50,000	8.0%	154
\$50,000 to less than \$60,000	6.6%	127
\$60,000 to less than \$75,000	8.9%	173
\$75,000 to less than \$100,000	10.6%	205
\$100,000 to less than \$150,000	10.1%	196
\$150,000 to less than \$200,000	3.8%	74
\$200,000 to less than \$250,000	2.0%	39
\$250,000 or more	2.1%	40
Refused	27.5%	532

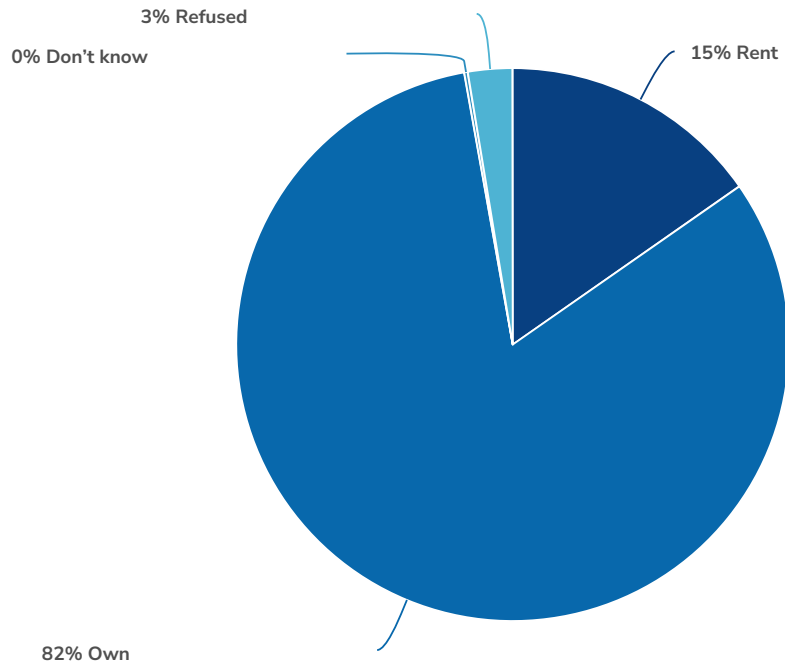
Totals: 1,937

12. Would you describe the neighborhood where you live as being:



Value	Percent	Responses
Urban	25.1% 	486
Suburban	43.1% 	834
Rural	31.9% 	617
		Totals: 1,937

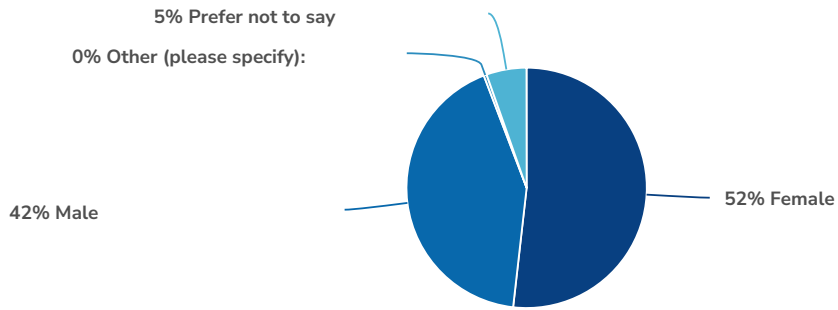
13. Do you currently rent or own your home?



Value	Percent	Responses
Rent	15.3%	297
Own	81.9%	1,587
Don't know	0.2%	3
Refused	2.6%	50

Totals: 1,937

14. What is your gender?



Value	Percent	Responses
Female	51.8%	1,003
Male	42.4%	822
Other (please specify):	0.4%	7
Prefer not to say	5.4%	105
		Totals: 1,937

MEMORANDUM

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

From: DJ Owens

Date: December 13, 2023

Re: Agenda Item # 8 – Report and Consideration on Energy Efficiency Programs

The following table summarizes the Energy Efficiency Rebate Program payout for the past two years.

Program	FY 2023		FY 2022	
	Number of Customer Rebates	Cost	Number of Customer Rebates	Cost
HVAC Rebates	52	\$19,880.64	53	\$19,150.00
Contractor HVAC Rebates	43	\$2,150.00	52	\$2,600.00
Window Unit	1	\$25.00	1	\$25.00
Insulation	4	\$940.00	11	\$3,026.40
Pump/Motors	0	\$0.00	0	\$0.00
Water Heater	7	\$2100.00	2	\$600.00
Windows	40	\$12,530.34	20	\$6,881.48
Smart thermostat	17	\$500.00	19	\$525.00
Shade Tree	4	\$125	4	\$175.00
Total Rebates	168	\$38,250.98	162	\$32,982.88
Total Customers	110		110	
% of Budget Utilized		40%		35%

For fiscal year 2024, Shade Tree and Pump and Motors have been removed from the rebate program due to the low number of applications. Currently researching replacement rebates to take the place of those removed. We have also made other energy efficiency program changes, including bringing back in-person home energy audits and released a new software called Apogee. This software will help customers do simple self-home energy audits on KPUB’s website. It also integrates with NISC to email personalized billing videos every month to help explain billing variances. This will help educate customers about high usage and how weather affects it as well as promote the different rebates that we currently provide.

Please let me know if you have any questions about 2024 rebates, home energy audits or Apogee.

Thanks,

DJ Owens
 KPUB Key Account
 & Energy Education Specialist