MINUTES OF THE
KERRVILLE PUBLIC UTILITY BOARD (KPUB) AND
KPUB PUBLIC FACILITY CORPORATION (KPFC)
REGULAR JOINT MONTHLY MEETING
WEDNESDAY, JUNE 17, 2026, AT 8:00 A.M.
KPUB CONFERENCE ROOM
KERRVILLE PUBLIC UTILITY BOARD OFFICES
2250 MEMORIAL BLVD.
KERRVILLE, TEXAS

TRUSTEES PRESENT:

Glenn Andrew
Rachel Johnston *(via teleconference)*
Larry Howard
David Sprouse
Mayor Joe Herring, Jr.
Mike Wittler, Executive Director (KPFC)

STAFF PRESENT:

Mike Wittler, General Manager and CEO (KPUB)
Amy Dozier, Assistant General Manager
Tony Perez, Director of Engineering
Allison Bueché, Director of Customer and Community Relations
Annette Gonzales, Director of Human Resources
Larry Lee, Director of Operations
Howard Hall, Field Services Supervisor
Robby McCutcheon, Director of Information Technology *(via teleconference)*
Mark Alejandro, Information Technology Supervisor *(via teleconference)*
Lidia S. Goldthorn, Assistant Secretary to the Board

TRUSTEES ABSENT:

Dalton Rice (KPFC)

OTHERS PRESENT:

Stephen Schulte, Legal Counsel
John Bonnin
Frank Rotondi, Sky Global Partners, LLC
Randall Bird, Sky Global Partners, LLC
Lance Pettigrew, SEnergy
Ryan Thompson, Akin Gump *(via teleconference)*
Cara Morrow, Akin Gump *(via teleconference)*
Angela Styles, Akin Gump *(via teleconference)*

CALL TO ORDER:

Mr. Glenn Andrew, Vice Chairman and Vice President, called the Regular Monthly Meetings to order at 8:00 a.m.

1. CITIZEN/CONSUMER OPEN FORUM:

There were no citizens/consumers to speak.

2. ANNOUNCEMENTS OF COMMUNITY INTEREST:

Ms. Bueché highlighted employee anniversaries for the month of June with a combined service of 90 years. A community blood drive is scheduled for June 25th. On June 5th our linemen helped install a flood memorial sign at Flat Rock Park. KPUB partnered with AACOG and the Doyle Community Center for a Weatherization Event on June 12th. KPUB sponsored a food drive for the Doyle Community Center during the month of June. Upcoming volunteer events include Grass Planting Day on June 19th, Mobile Food Pantry Event on June 29th and UGRA River Clean up on July 25th. Mr. Wittler noted the following upcoming board meetings tentatively scheduled for:

- ***Wednesday, July 15, 2026, at 8:30 a.m.***
- ***Wednesday, August 12, 2026, at 1:30 p.m. (Strategic Plan Workshop)***
- ***Wednesday, August 26, 2026, at 8:30 a.m. (one week later than normal)***
- ***Wednesday, September 23, 2026, at 8:30 a.m. (one week later than normal)***

3. MOTION TO VOTE AND RECESS THE PUBLIC MEETING AND RECONVENE IN AN EXECUTIVE CLOSED SESSION (KPUB and KPFC):

I. EXECUTIVE CLOSED SESSION – COMPETITIVE MATTERS:

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

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

(1) Discussion and Possible Action on Hedging Activities, ERCOT Activities, Wholesale Power Contracts and Generation – Mike Wittler, CEO

II. 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

B. Consultation with Attorney on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter – Mike Wittler, CEO

Staff asked the Board of Trustees if there was a motion that the Boards convene in Executive Closed Session to discuss "Competitive Matters" in accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.086, and discuss "Consultation With Attorney" in accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.071, Larry Howard, Secretary for KPUB so moved. David Sprouse, Treasurer, seconded the motion. Vote was by show of hands. Motion

carried 5 – 0. Mr. Howard for KPFC so moved. Mr. Sprouse seconded the motion. Vote was by show of hands. Motion carried 5 – 0.

The Boards entered Executive Closed Session at 8:12 a.m. At 9:38 a.m. Chairman and President Glenn Andrew adjourned the Executive Closed Session and reconvened into Open Session.

Chairman and President Andrew elected to proceed to item number 8 on the Agenda to allow discussion on that item prior to going back to Executive Session. The Board agreed, and Chairman and President Andrew proceeded to item number 8.

8. DISCUSSION ON COST-OF-SERVICE STUDY AND RATE RECOMMENDATIONS (KPUB) – AMY DOZIER, ASSISTANT GENERAL MANAGER:

Ms. Dozier advised that in May 2026, the Board began discussions regarding FY2027 rates. She advised that the purpose of this month's discussion was to review updated rate comparison information, consider preliminary FY2027 rate options, and provide guidance regarding the use of Rate Stabilization Fund reserves to mitigate customer rate impacts. Ms. Dozier provided an updated rate comparison chart reflecting residential rates for 29 utilities as of May 2026 and preliminary FY2027 rate scenarios. The rate comparison chart shows that with a monthly billed residential rate of $107.50 for 1,000 kWh, KPUB has the lowest rate in the May 2026 survey. The next lowest rate is Bryan Texas Utilities (BTU) City at $116.80. The BTU City rate increased from $104.10 in April 2026 to $116.80 in May 2026. Fredericksburg began increasing its rate in November 2025. Its rate went from $105.31 in October 2025 to $114.33 in November 2025 and is $118.19 as of May 2026. In May 2026, the average rate across all 29 utilities is $140.40, or 31% higher than KPUB's rate.

Ms. Dozier went over estimated rate options. As had been previously discussed, KPUB's 2025 cost of service and rate study identified a need to increase the customer charge and distribution components of the rate to cover costs. The study also recommended modifications to the power supply rate methodology to better align with industry practices. Under the proposed approach, transmission and debt service costs would be recovered through base rates and allocated among customer classes based on the factors that drive those costs. The Power Cost Adjustment (PCA) would then be calculated as a uniform per-kWh charge designed to recover incremental power supply costs above the established base cost. FY2027 presents a unique circumstance because debt service associated with the new power plant will begin before the facility is operational. During this period, KPUB will continue to procure most of its energy through its load-following power purchase agreement with CPS Energy. As a result, the use of Rate Stabilization Fund reserves may be appropriate to reduce the temporary rate impact on customers during the transition period. She advised that over the next month, staff will work to finalize the FY2027 power cost estimate with updated natural gas futures prices, as well as final adjustments to purchase and demand forecasts. Accordingly, the rates shown are indicative and will change some based on final refinements prior to Board consideration. She added that at this stage, management is seeking Board guidance regarding the amount, if any, of Rate Stabilization Fund reserves that should be used to deter FY2027 rate increases.

Ms. Dozier advised next steps include: July 2026 Board Meeting, the Board will vote for FY2027 rate changes, including revisions to the Power Cost Adjustment methodology; August 2026 Board Meeting/FY2027 Budget Workshop; September 2026 Boad Meeting FY 2027 vote and adoption; August or September 2026, KPUB management will coordinate with the City of Kerrville to bring the residential rate increase to the City Council for approval (this will be an ordinance vote, which requires two readings and two votes over the period of a month); November 1, 2026, new rates become effective. She advised this is a discussion item only. No formal Board action is requested in June.

At 10:05 a.m. the Boards took a break, coming back into session at 10:11 a.m. At this time, Larry Howard left the meeting. Chairman and President Andrew elected to proceed to item number 4 on the Agenda to follow the regularly numbered agenda items. The Board agreed, and Chairman and President Andrew proceeded to item number 4.

4. CONSIDERATION AND ACTION AS A RESULT OF EXECUTIVE CLOSED SESSIONS (KPUB and KPFC):

I. Discussion and Possible Action on Hedging Activities, ERCOT Activities, Wholesale Power Contracts and Generation – Mike Wittler, CEO

Regarding discussion in Executive Session, Mr. Wittler announced that the Board received an update on tariff mitigation strategies and staff is continuing to work on parallel paths to find ways to reduce tariffs that the generation plant may be impacted by. Also, Staff received an update on the generation project from Sky Global and SEnergy. Most notably is a new completion date of September 4, 2027; which is pushing back three months from the previous published date of June 1, 2027.

5. CONSENT AGENDA:

David Sprouse, Treasurer, made a motion for KPUB and KPFC to accept items on the consent agenda as presented. Mayor Joe Herring, Jr., seconded the motions. Vote was by a show of hands. Motions carried 4 – 0.

5A. APPROVAL OF MINUTES.

5B. KPUB RESOLUTION NO. 26-12 – ERIN CALLAN, ACCOUNTING MANAGER. A Resolution approving payment to various providers of services or supplies.

5C. KPFC RESOLUTION NO. 26-03 – AMY DOZIER, ASSISTANT GENERAL MANAGER. A Resolution authorizing and approving signatures for the Kerrville Public Utility Board of Trustees and Management for purposes of bank accounts, investments and financial transactions (Happy State Bank).

END OF CONSENT AGENDA

6. FINANCIAL REPORT – AMY DOZIER, ASSISTANT GENERAL MANAGER:

Ms. Dozier presented the final financial statements for the month ending May 31, 2026. Highlights for KPUB included a $3.1M increase in net position; $31.0M in operating revenue; $2.4M in rate stabilization transfer; $30.0M in operating expense; $1M in operating income; $376K in nonoperating income; $1.7M in capital contributions; $21.9M in over collection of power cost adjustment as of May 31, 2026; and $49.7M invested in municipal investment pools and an account at Happy State Bank. The portfolio of investment accounts earned an annualized blended rate of 3.73% in May. Highlights for KPFC included $40.0M in generation project costs, including capitalized interest, shown as Capital Assets as of May 31, 2026; $24.7M balance in the Construction Fund as of May 31, 2026, representing unspent proceeds from the 2025A (open market) bond issuance. To minimize interest expense, the open market bond proceeds will be used first. However, KPFC will begin drawing funds under the credit agreement with the Texas Energy Fund in June 2026. Ms. Dozier also provided a power point presentation with highlights and financial metrics from her memo.

7. CONSIDERATION AND ACTION ON WAIVER OF BILLING CORRECTIONS IN KPUB'S FAVOR FOR FIVE COMMERCIAL ACCOUNTS - ALLISON BUECHÉ, DIRECTOR OF CUSTOMER & COMMUNITY RELATIONS (KPUB):

Ms. Bueché advised that staff conducted a review of CT and CT/PT metered electric services and associated billing records and identified a limited number of accounts requiring billing corrections due to metering and billing discrepancies. The review identified both overbilling and underbilling situations. She added that applicable overbilling corrections have been completed. Under KPUB's tariff, underbilling corrections may be billed for up to six months. Staff identified five commercial accounts that were eligible for underbilling corrections under this provision. The total amount of those underbilling charges was $5,231.98, with individual adjustments ranging from $151.51 to $2,797.86. Those underbilling amounts were the result of incorrect meter multipliers on the affected accounts. Staff requested Board approval to waive $5,231.98 in underbilling charges for the five affected commercial accounts.

Mr. Sprouse moved to waive $5,231.98 in underbilling charges for the five affected commercial accounts. Mayor Herring seconded the motion. Vote was by a show of hands. Motion carried 4 – 0.

Chairman and President Andrew proceeded to item number 9 on the Agenda.

9. DISCUSSION ON PROCESS FOR REVISION OF BOARD POLICIES AND STRATEGIC PLAN – MIKE WITTLER, GENERAL MANAGER & CEO AND ANNETTE GONZALES, DIRECTOR OF HUMAN RESOURCES:

Mr. Wittler confirmed the available date and time for the strategic plan meeting to Wednesday, August 12, 2026, at 1:30 p.m.

10. ADJOURNMENT

Chairman and President Andrew adjourned the Regular Board Meetings at 10:21 a.m.

Date Approved: _____ _____

Glenn Andrew, Chair

ATTEST

_____

Lidia S. Goldthorn, Assistant Secretary to the Board

MEMORANDUM

To: Glenn Andrew
Rachel Johnston
Larry Howard
David Sprouse
Mayor Joe Herring, Jr.

From: Erin Callan

Date: July 9, 2026

Re: Agenda Item No. 6B – Resolution No. 26-13

In accordance with Board Resolution No. 10-06 that requires monthly reporting of wire transfers exceeding $20,000, this memo reports the following transfers between June 12, 2026 and July 9, 2026 for Board approval:

	Vendor	Description	Amount	Date
Purchased Power:				
1	Concho Bluff	May 2026	$112,382.21	06/18/2026
2	CPS	May 2026	691,517.26	06/22/2026
3	NextEra	May 2026	485,088.00	06/22/2026
4	ERCOT	CRR Auction	113,031.15	06/23/2026
5	DG Solar	May 2026	36,853.07	06/26/2026
6	ENGIE	May 2026	90,580.81	06/26/2026
7	LCRA	May 2026	688,104.34	07/02/2026
Payroll:				
1	Payroll	Pay period ending 06/13/2026	179,016.58	06/18/2026
2	Payroll	Pay period ending 06/27/2026	178,313.65	07/02/2026
3	Payroll Taxes	Pay period ending 06/13/2026	61,837.22	06/24/2026
4	Payroll Taxes	Pay period ending 06/27/2026	60,973.77	07/08/2026
Employee Benefits:				
1	TX Health Benefits	Health Insurance -July	104,078.62	07/01/2026
2	TMRS	Pension - June Payroll	110,073.40	07/02/2026
Investment Transfers:				
1	Happy State Bank	Investment Transfer	700,000.00	06/12/2026
2	Happy State Bank	Investment Transfer	1,000,000.00	06/22/2026
3	Happy State Bank	Investment Transfer	940,000.00	06/26/2026

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

Sincerely,

Erin Callan
Accounting Manager

RESOLUTION NO. 26-13

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

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

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

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

BE IT RESOLVED BY THE KERRVILLE PUBLIC UTILITY BOARD THAT:

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

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

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

PASSED, APPROVED AND ADOPTED on this 15th day of July, 2026

_____
Glenn Andrew, Chair

ATTEST:

_____
Larry Howard, Secretary

MEMORANDUM

To: Glenn Andrew
Rachel Johnston
Larry Howard
David Sprouse
Mayor Joe Herring, Jr.

From: Tony Perez

Date: July 8, 2026

Re: Agenda Item No. 6C – Jack Furman Transformer Order – Change Order Tariff Charges

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

KPUB received a new power transformer from GE Prolec for the Jack Furman T2 Addition project. This transformer was delivered in April and currently in service.

The transformer was manufactured in Mexico and is subject to import tariffs. Please see attached email from GE Prolec and TEC providing a breakdown and explanation of the applicable tariffs on this unit.

Staff requested Akin review GE Prolec's tariff calculation, and they have confirmed the applicable tariff as of the date of entry was 15% as reported by GE Prolec. The tariff fees for the transformer total $166,148.85. This results in total cost of $1,720,642 for the transformer including delivery, offloading, field assembly, and tariffs.

Staff is requesting board authorization to execute a change order in the amount of $166,148.85 for payment of these tariffs.

Please let me know if you have any questions or need additional information on this.

Thank you,

Tony Perez
Director of Engineering

July 1, 2026 email from GE Prolec / TEC:

Dear TEC team

We are writing to inform you of a regulatory update announced by the U.S. government on April 3, 2026, which impacts products supplied under our existing agreements. Under Section 232 of the Trade Expansion Act, the U.S. government has replaced tariff regulation of 50% on non-U.S. steel content with a new tariff on imported products containing non-U.S. steel, aluminum, and copper. These measures apply to finished electrical equipment, including liquid-filled transformers, and represent a change in applicable law beyond our control.

The new tariff adjustment applies for units crossing the US border on or after April 6, 2026. The applicable tariff amount is 15% of the total value of the imported product for electrical transformers exceeding 10 MVA (HTS Code 8504.23.00) or 25% for electrical transformers less than or equal to 10 MVA (HTS Code 8504.22.00).

This change has already been reflected in the recent import documentation for unit G5049-01 under KPUB PO0111042 causing a total extra import duties cost of $166,148.85 USD. Attached is the U.S. Customs and Border Protection documents indicating the values for each unit for your reference.

PGE SN		G5049-01
U.S. Customs B/L	**Sum of Duty Cost (232 tariffs)**	
23176694005	$	16,614.90
23176693957	$	16,614.90
23176685615	$	132,919.05
Total general	**$**	**166,148.85**

Please confirm your acceptance to submit it the invoice for its payment or you prefer to handle it through a change order, do not to hesitate to contact us if you have any questions.

MEMORANDUM

To: Glenn Andrew
Rachel Johnston
Larry Howard
David Sprouse
Mayor Joe Herring, Jr.

From: Amy Dozier

Date: July 9, 2026

Re: Agenda Item No. 7 – Financial Report

Attached please find financial statements for the month ended June 30, 2026.

Highlights include:

KPUB

- **$3.8M increase in net position** on a year-to-date (YTD) basis, which is $1.2M higher than budget.
- **$35.0M in operating revenue** on a YTD basis.
  - Revenues are lower than budget due to a combination of:
    1. kWh sales that are 4.3% lower than budget due primarily to mild weather.
    2. Lower than forecast purchased power cost due to lower than forecast natural gas prices. Natural gas prices have averaged $2.96 per MMBtu so far this fiscal year compared to a budgeted amount of $3.90. Because almost 70% of the customer's rate is a pass through of power cost, lower power costs result in lower revenues.
- **$2.4M in Rate Stabilization Transfer** on a YTD basis.

Operating Income	$ 1,252,955	
Remove Rate Stabilization Transfer	(2,669,644)	
Adjusted Operating Loss		$ (1,416,689)
Depreciation		3,483,450
Actual Capital Spending		(4,736,405)
YTD Transfer		$ (2,669,644)

- **$33.7M in operating expense** on a YTD basis.
  - Operating expense is 9.7% better than budget driven primarily by:
    1. Lower than budget purchased power expense due a combination of kWh purchases that are 3.8% lower than budget as mild weather has driven lower kWh sales and lower than forecast natural gas prices leading to unit costs that are 7.9% lower than budget.
    2. Lower than budget expenses continue in all other categories, although we expect Distribution and Administrative expenses to trend closer to budget by the end of the year, due primarily to charges for outside services.
- **$1.3M in operating income** on a YTD basis.

- **$408K in nonoperating income** on a YTD basis.
  - Nonoperating income is $457K better than budget due to:
    1. Better than budget interest income primarily due to higher than budget invested balances. The FY2026 Budget assumed a 3.75% interest rate, which closely aligns with where rates have stabilized over the last several months.
    2. Lower than budget City of Kerrville transfer due to lower than budget revenues previously discussed.
- **$2.1M in capital contributions**, including FEMA grant revenue of $1.2M.
  - KPUB received FEMA funds totaling $330K in June, representing the last payment for flood restoration work that was completed in FY2025.
  - KPUB expects to receive approximately $227K more in FEMA reimbursement during FY2026 related to the River Crossing project.
  - The remaining FEMA projects relate to work at the Hunt Substation and distribution system restoration that have not been completed. Project completion and a FEMA reimbursement of approximately $280K for the remaining projects is not expected until FY2027.
- **$22.2M in over collection of power cost adjustment** as of 6/30/2026, an **increase of $323K** from the prior month.
  - KPUB's billed rate remained at $107.50 for 1,000 kWh of residential power in June. In the June monthly survey of 29 Central and South Texas utilities, KPUB's $107.50 rate was the lowest. The overall average rate for the 29 utilities is $140.75. Fredericksburg has the next lowest rate at $114.47. The power cost adjustment portion of the rate was adjusted in July, bringing the total billed rate to $110.00.
- **$49.7M invested** in municipal investment pools and an account at Happy State Bank.
  - The portfolio of investment accounts earned an annualized blended rate of 3.74% in June.

KPFC

- **$57.8M in generation project costs, including capitalized interest, shown as Capital Assets** as of 6/30/26.
- **$24.8M balance in the Construction Fund** as of 6/30/26, representing unspent proceeds from the 2025A (open market) bond issuance.
- In June, KPFC completed its first monthly construction draw ($7.5M) from the Texas Energy Fund. Going forward, KPFC will continue to make monthly draws.

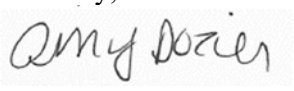
Quarterly Reports

Attached for your review are the following quarterly reports:

- Quarterly listing of vendor payments over $10,000
- Quarterly listing of payments to a single vendor that have totaled over $10,000 in the past 12 months

I am happy to answer any questions regarding this report.

Sincerely,



Amy Dozier
Assistant General Manager

Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended June 30, 2026
(Unaudited)

		Comparison to Budget			Comparison to Last Year		
	Current Month	Current Month Budget Amount	Variance Favorable (Unfavorable)	Percentage Favorable (Unfavorable)	Current Last Year	Variance Favorable (Unfavorable)	Percentage Favorable (Unfavorable)
OPERATING REVENUES							
Residential	$ 1,999,279	$ 2,717,849	$ (718,570)	-26.44%	$ 2,110,679	$ (111,400)	-5.28%
Commercial/Industrial	1,602,763	2,054,976	(452,213)	-22.01%	1,645,388	(42,625)	-2.59%
Sales to Public Authorities	21,832	21,667	165	0.76%	21,768	64	0.29%
Rate Stabilization Transfer	309,083	316,886	(7,803)	-2.46%	-	309,083	-
Other	39,123	39,665	(542)	-1.37%	36,286	2,838	7.82%
TOTAL OPERATING REVENUES	3,972,081	5,151,043	(1,178,962)	-22.89%	3,814,121	157,959	4.14%
OPERATING EXPENSES							
Purchased Power	2,425,611	2,504,942	79,332	3.17%	2,502,827	77,217	3.09%
Distribution	286,016	346,953	60,937	17.56%	315,126	29,110	9.24%
Customer Accounts	57,153	70,253	13,100	18.65%	67,426	10,273	15.24%
Customer Service, Informational & Sales	51,020	44,190	(6,831)	-15.46%	24,645	(26,375)	-107.02%
Administrative Expenses	543,466	572,336	28,870	5.04%	504,010	(39,457)	-7.83%
Depreciation & Amortization	380,928	404,576	23,648	5.85%	383,186	2,258	0.59%
TOTAL OPERATING EXPENSES	3,744,194	3,943,250	199,056	5.05%	3,797,221	53,027	1.40%
OPERATING INCOME (LOSS)	227,887	1,207,792	(979,906)	-81.13%	16,901	210,986	1248.39%
NONOPERATING REVENUES (EXP):							
Interest Income - Investments	156,231	132,812	23,419	17.63%	124,031	32,200	25.96%
Interest Income - City of Kerrville	7,500	7,500	-	0.00%	9,643	(2,143)	-22.22%
Interest Expense	(7,552)	(9,047)	1,496	16.53%	(8,564)	1,012	11.82%
City of Kerrville - General Fund Transfer	(124,260)	(158,784)	34,524	21.74%	(118,537)	(5,723)	-4.83%
City of Ingram - Franchise Fee	(2,894)	(3,000)	106	3.53%	(3,309)	415	12.54%
Other - Net	2,796	1,250	1,546	123.71%	3,439	(643)	-18.68%
TOTAL NONOPERATING REVENUES (EXP)	31,822	(29,269)	61,091	208.72%	6,703	25,120	374.78%
INCOME BEFORE CONTRIBUTIONS	259,709	1,178,524	(918,815)	-77.96%	23,603	236,105	1000.31%
Capital Contributions - Customer	59,585	68,333	(8,748)	-12.80%	192,439	(132,854)	-69.04%
Capital Contributions - Grant	330,085	-	330,085	-	-	330,085	-
TOTAL CAPITAL CONTRIBUTIONS	389,670	68,333	321,337	470.25%	192,439	197,231	102.49%
CHANGE IN NET POSITION	$ 649,379	$ 1,246,857	$ (597,478)	-47.92%	$ 216,042	$ 433,337	200.58%
NET POSITION AT BEGINNING OF MONTH	$ 84,113,886				$ 80,967,755		
NET POSITION AT END OF MONTH	$ 84,763,265				$ 81,183,797		

Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended June 30, 2026
(Unaudited)

		Comparison to Budget			Comparison to Last Year		
	Year to Date	Year to Date Budget Amount	Variance Favorable (Unfavorable)	Percentage Favorable (Unfavorable)	Year to Date Last Year Amount	Variance Favorable (Unfavorable)	Percentage Favorable (Unfavorable)
OPERATING REVENUES							
Residential	$ 18,029,533	$ 21,081,131	$ (3,051,599)	-14.48%	$ 17,904,938	$ 124,594	0.70%
Commercial/Industrial	13,507,556	15,152,736	(1,645,180)	-10.86%	13,208,681	298,875	2.26%
Sales to Public Authorities	196,641	194,999	1,642	0.84%	195,940	702	0.36%
Rate Stabilization Transfer	2,669,644	2,405,703	263,941	10.97%	-	2,669,644	-
Other	585,297	549,832	35,465	6.45%	556,172	29,124	5.24%
TOTAL OPERATING REVENUES	34,988,671	39,384,402	(4,395,731)	-11.16%	31,865,732	3,122,940	9.80%
OPERATING EXPENSES							
Purchased Power	21,569,516	24,324,421	2,754,906	11.33%	20,661,257	(908,259)	-4.40%
Distribution	3,083,152	3,385,437	302,286	8.93%	3,083,280	129	0.00%
Customer Accounts	523,651	608,722	85,071	13.98%	585,738	62,087	10.60%
Customer Service, Informational & Sales	326,614	409,441	82,827	20.23%	288,378	(38,236)	-13.26%
Administrative Expenses	4,749,334	5,017,525	268,191	5.35%	4,356,651	(392,683)	-9.01%
Depreciation & Amortization	3,483,450	3,605,188	121,738	3.38%	3,418,102	(65,347)	-1.91%
TOTAL OPERATING EXPENSES	33,735,716	37,350,735	3,615,018	9.68%	32,393,406	(1,342,311)	-4.14%
OPERATING INCOME (LOSS)	1,252,955	2,033,668	(780,713)	-38.39%	(527,674)	1,780,629	337.45%
NONOPERATING REVENUES (EXP):							
Interest Income - Investments	1,457,947	1,195,308	262,639	21.97%	1,510,833	(52,886)	-3.50%
Interest Income - City of Kerrville	71,786	71,784	2	0.00%	91,072	(19,286)	-21.18%
Interest Expense	(64,259)	(81,424)	17,165	21.08%	(75,666)	11,407	15.08%
City of Kerrville - General Fund Transfer	(1,100,170)	(1,219,352)	119,182	9.77%	(1,004,705)	(95,464)	-9.50%
City of Ingram - Franchise Fee	(24,327)	(27,000)	2,673	9.90%	(25,434)	1,107	4.35%
Other - Net	66,702	11,250	55,452	492.90%	(151)	66,852	44317.12%
TOTAL NONOPERATING REVENUES (EXP)	407,679	(49,435)	457,114	924.68%	495,949	(88,269)	-17.80%
INCOME BEFORE CONTRIBUTIONS	1,660,634	1,984,233	(323,599)	-16.31%	(31,725)	1,692,360	5334.40%
Capital Contributions - Customer	946,227	614,998	331,229	53.86%	820,008	126,219	15.39%
Capital Contributions - Grant	1,176,147	-	1,176,147	-	-	1,176,147	-
TOTAL CAPITAL CONTRIBUTIONS	2,122,374	614,998	1,507,377	245.10%	820,008	1,302,366	158.82%
CHANGE IN NET POSITION	$ 3,783,009	$ 2,599,231	$ 1,183,778	45.54%	$ 788,283	$ 2,994,726	379.91%
NET POSITION AT BEGINNING OF YEAR	$ 80,980,256				$ 80,395,514		
NET POSITION AT END OF MONTH	$ 84,763,265				$ 81,183,797		

Kerrville Public Utility Board
Balance Sheet
As of Jun 30, 2026

ASSETS & DEFERRED OUTFLOWS	Jun 30, 2026	Sep 30, 2025
CURRENT ASSETS		
Revenue Fund:		
Cash and Cash Equivalents	$ 1,054,186	$ 1,230,495
Investments	35,091,341	32,577,205
Less: Customer Deposits	(571,202)	(535,058)
Total Revenue Fund	35,574,325	33,272,642
Construction Fund:		
Cash and Cash Equivalents	6,099	5,931
Investments	1,735,810	1,686,519
Total Construction Fund	1,741,909	1,692,450
Rate Stabilization Fund:		
Investments	2,284,321	2,219,454
Total Rate Stabilization Fund	2,284,321	2,219,454
Long Term Rate Stabilization Fund:		
Investments	5,940,330	5,192,203
Total Long Term Rate Stabilization Fund	5,940,330	5,192,203
Customer Accounts Receivable, net of allowance	1,632,834	1,867,586
Receivable from KPFC	2,500	2,500
Unbilled Revenue	2,206,613	2,206,613
Materials and Supplies	2,607,229	2,576,593
Deposits with Other Entities	1,479,232	1,445,958
Other Current Assets	37,535	17,143
Current Portion - Advance to City of Kerrville	1,071,428	1,071,428
TOTAL CURRENT ASSETS	$ 54,578,254	$ 51,564,571
NONCURRENT ASSETS		
Customer Deposits	$ 571,202	$ 535,058
Texas Energy Fund - Escrow Deposit	5,250,000	5,250,000
Interest and Sinking Fund	330,487	456,650
Emergency, Repair, Replace, Contingency Fund	4,271,174	4,149,888
Noncurrent Advance to City of Kerrville	2,678,573	3,214,287
Capital Assets, net of Accum Depreciation	55,465,548	53,895,811
Right to Use Assets, Net of Accum Amortization	32,703	44,967
Subscription Assets, Net of Accum Amortization	635,127	939,646
TOTAL NONCURRENT ASSETS	$ 69,234,815	$ 68,486,307
DEFERRED OUTFLOWS - PENSION AND OPEB	$ 834,828	$ 834,828
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	$ 124,647,897	$ 120,885,706

LIABILITIES, DEFERRED INFLOWS & NET POSITION	Jun 30, 2026	Sep 30, 2025
CURRENT LIABILITIES		
Current Portion - Bonds Payable	$ 481,000	$ 464,000
Current Portion - Leases Payable	16,354	16,354
Current Portion - Subscriptions Payable	320,853	320,853
Current Portion - Compensated Absences	665,827	601,732
Current Portion - Total OPEB Liability	9,368	9,368
Accounts Payable - Net Purchased Power	10,362,179	10,045,827
Accounts Payable and Accrued Liabilities	1,465,782	1,239,232
Power Cost Adjustment - Over Collected	22,246,498	22,264,314
TOTAL CURRENT LIABILITIES	$ 35,567,862	$ 34,961,680
NONCURRENT LIABILITIES		
Noncurrent - Bonds Payable	$ 1,020,000	$ 1,501,000
Noncurrent - Leases Payable	25,235	31,688
Noncurrent - Subscriptions Payable	161,343	427,289
Customer Deposits	571,202	535,058
Noncurrent - Compensated Absences	112,541	112,541
Noncurrent - Deferred Compensation	90,256	-
Net Pension Liability	1,935,595	1,935,595
Noncurrent - Total OPEB Liability	271,320	271,320
TOTAL NONCURRENT LIABILITIES	$ 4,187,492	$ 4,814,491
DEFERRED INFLOWS - PENSION AND OPEB	$ 129,278	$ 129,278
TOTAL LIABILITIES AND DEFERRED INFLOWS	$ 39,884,632	$ 39,905,449
TOTAL NET POSITION	$ 84,763,265	$ 80,980,256
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	$ 124,647,897	$ 120,885,706

Kerrville Public Utility Board
Invested Funds Detail
For the Month Ended June 30, 2026

	Date	Revenue Fund	Construction Fund	Rate Stabilization Fund	Long Term Rate Stabilization Fund	Restricted: Debt Reserve Fund	Restricted: Interest & Sinking Fund	Restricted: Emergency Repair, Replacement & Contingency Fund	Total Funds Invested
Beginning Fund Balance		$ 35,181,373	$ 1,730,483	$ 2,277,311	$ 5,922,102	$ -	$ 285,493	$ 4,258,068	$ 49,654,830
Withdrawals:									
Happy Investment - TXHB	06/01/26	(101,103)							(101,103)
Happy Investment - LCRA	06/03/26	(700,726)							(700,726)
Happy Investment - ERCOT	06/09/26	(305,475)							(305,475)
Happy Investment - TMRS	06/10/26	(105,392)							(105,392)
Happy Investment - Concho Bluff	06/18/26	(112,382)							(112,382)
Happy Investment - CPS Energy	06/22/26	(691,517)							(691,517)
Happy Investment - NextEra	06/22/26	(485,088)							(485,088)
Happy Investment - ERCOT	06/23/26	(113,031)							(113,031)
Happy Investment - Engie	06/26/26	(90,581)							(90,581)
Happy Investment - DG Solar	06/26/26	(36,853)							(36,853)
Investments:									
Happy State Bank	06/02/26	(200,000)							(200,000)
Happy State Bank	06/05/26	150,000							150,000
Happy State Bank	06/12/26	700,000							700,000
Happy State Bank	06/22/26	1,000,000							1,000,000
Happy State Bank	06/26/26	940,000							940,000
									-
Fund Balance after Withdrawals & Investments		35,029,224	1,730,483	2,277,311	5,922,102	-	285,493	4,258,068	49,502,681
Allocation of:									
Interest Income	06/30/26	106,227	5,327	7,010	18,229	-	883	13,107	150,782
Total Interest Allocation		106,227	5,327	7,010	18,229	-	883	13,107	150,782
Fund Balance After Allocations		35,135,451	1,735,810	2,284,321	5,940,330	-	286,377	4,271,174	49,653,463
Interfund Transfers :									
Debt Service Accrual	06/30/26	(44,110)					44,110		-
Ending Fund Balance		$ 35,091,341	$ 1,735,810	$ 2,284,321	$ 5,940,330	$ -	$ 330,487	$ 4,271,174	$ 49,653,463

Kerrville Public Utility Board
Debt Ratios
For the Month Ended June 30, 2026

DEBT SERVICE COVERAGE RATIO:

Description	Current Month	Fiscal Year	Previous 12 Months
CHANGE IN NET POSITION	$ 649,379	$ 3,783,009	$ 3,579,468
PLUS:			
Interest Expense (net of amortizations)	7,552	64,259	96,899
Depreciation & Amortization Expense	380,928	3,483,450	4,638,220
Numerator	1,037,858	7,330,717	8,314,587
DIVIDED BY:			
Interest Expense (net of amortizations)	7,552	64,259	96,899
Principal Payment Due	68,184	613,655	818,207
Denominator	$ 75,735	$ 677,914	$ 915,106
DEBT SERVICE COVERAGE RATIO	13.70	10.81	9.09
Minimum Requirement per Bond Covenant		1.35	times Debt Service

DAYS CASH ON HAND (AS OF MONTH END):

NUMERATOR (INCLUDES CASH AND INVESTMENTS):	
Revenue Fund	$ 35,574,325
Construction Fund	1,741,909
Rate Stabilization Fund	2,284,321
Long Term Rate Stabilization Fund	5,940,330
Emergency, Repair, Replace, Contingency Fund	4,271,174
Total Cash and Cash Equivalents **(A)**	$ 49,812,059
DENOMINATOR:	
Fiscal Year-to-Date Operating Expense	$ 33,735,716
Less: Fiscal Year-to-Date Depreciation	3,483,450
Adjusted Operating Expense **(B)**	$ 30,252,267
NUMBER OF DAYS ELAPSED IN FISCAL YEAR **(C)**	273
DAYS CASH ON HAND (= A / B * C)	**450**
MINIMUM DAYS CASH ON HAND PER POLICY 47	**175**

FIXED CHARGE COVERAGE RATIO (FISCAL YEAR-TO-DATE):

NUMERATOR:	
Fiscal Year-to-Date Operating Income	$ 1,252,955
Less: City of Kerrville and Ingram Transfers	(1,124,497)
Plus: 50% of PPA Expense	7,241,856
Plus: Fiscal Year-to-Date Depreciation	3,483,450
Plus: Fiscal Year-to-Date Interest Income - Investments	1,457,947
Plus: Fiscal Year-to-Date Capital Contributions	2,122,374
Total Numerator **(D)**	$ 14,434,085
DENOMINATOR:	
50% of PPA Expense	$ 7,241,856
Fiscal Year Debt Service (Cash Basis)	501,581
Fiscal Year Debt Service Receivable (Cash Basis)	(1,167,858)
Total Denominator **(E)**	$ 6,575,578
FIXED CHARGE COVERAGE RATIO (= D / E)	2.2
MINIMUM FIXED COST COVERAGE PER POLICY 47	1.2

Kerrville Public Utility Board Public Facility Corporation
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended June 30, 2026
(Unaudited)

		Comparison to Budget			Comparison to Last Year		
	Current Month	Current Month Budget Amount	Variance Favorable (Unfavorable)	Percentage Favorable (Unfavorable)	Current Last Year	Variance Favorable (Unfavorable)	Percentage Favorable (Unfavorable)
OPERATING REVENUES							
Sales of Electricity - Power Agreements	$ -	$ -	$ -	-	$ -	$ -	-
TOTAL OPERATING REVENUES	-	-	-	-	-	-	-
OPERATING EXPENSES							
Administrative Expenses	-	4,167	4,167	100.00%	-	-	-
TOTAL OPERATING EXPENSES	-	4,167	4,167	100.00%	-	-	-
OPERATING INCOME (LOSS)	-	(4,167)	4,167	100.00%	-	-	-
NONOPERATING REVENUES (EXP):							
Interest Income - Investments	69,756	11,900	57,856	486.19%	-	69,756	-
Interest Expense	(319,098)	(319,098)	0	0.00%	-	(319,098)	-
Allowance for Borrowed Funds during Construction	318,848	318,848	(0)	0.00%	-	318,848	-
Debt Issuance Cost Refund	-	-	-	-	-	-	-
Amortization - Debt Premium	13,693	13,693	0	0.00%	-	13,693	-
TOTAL NONOPERATING REVENUES (EXP)	83,200	25,343	57,857	228.29%	-	83,200	-
INCOME BEFORE CONTRIBUTIONS	83,200	21,176	62,023	292.89%	-	83,200	-
Capital Contributions	-	-	-	-	-	-	-
CHANGE IN NET POSITION	$ 83,200	$ 21,176	$ 62,023	292.89%	$ -	$ 83,200	-
NET POSITION AT BEGINNING OF MONTH	$ 274,280						
NET POSITION AT END OF MONTH	$ 357,479						

Kerrville Public Utility Board Public Facility Corporation
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended June 30, 2026
(Unaudited)

		Comparison to Budget			Comparison to Last Year		
	Year to Date	Current Month Budget Amount	Variance Favorable (Unfavorable)	Percentage Favorable (Unfavorable)	Current Last Year	Variance Favorable (Unfavorable)	Percentage Favorable (Unfavorable)
OPERATING REVENUES							
Sales of Electricity - Power Agreements	$ -	$ -	$ -	-	$ -	$ -	-
TOTAL OPERATING REVENUES	-	-	-	-	-	-	-
OPERATING EXPENSES							
Administrative Expenses	7,000	37,500	30,500	81.33%	-	(7,000)	-
TOTAL OPERATING EXPENSES	7,000	37,500	30,500	81.33%	-	(7,000)	-
OPERATING INCOME (LOSS)	(7,000)	(37,500)	30,500	81.33%	-	(7,000)	-
NONOPERATING REVENUES (EXP):							
Interest Income - Investments	982,630	426,785	555,845	130.24%	-	982,630	-
Interest Expense	(2,889,595)	(2,889,595)	(0)	0.00%	-	(2,889,595)	-
Allowance for Borrowed Funds during Construction	2,887,345	2,887,345	0	0.00%	-	2,887,345	-
Debt Issuance Cost Refund	540	-	540	-	-	540	-
Amortization - Debt Premium	123,240	123,237	3	0.00%	-	123,240	-
TOTAL NONOPERATING REVENUES (EXP)	1,104,161	547,772	556,389	101.57%	-	1,104,161	-
INCOME BEFORE CONTRIBUTIONS	1,097,161	510,272	586,888	115.01%	-	1,097,161	-
Capital Contributions	-	-	-	-	-	-	-
CHANGE IN NET POSITION	$ 1,097,161	$ 510,272	$ 586,888	115.01%	$ -	$ 1,097,161	-
NET POSITION AT BEGINNING OF YEAR	$ (739,682)						
NET POSITION AT END OF MONTH	$ 357,479						

Kerrville Public Utility Board Public Facility Corporation
Balance Sheet
As of Jun 30, 2026

ASSETS	Jun 30, 2026	Sep 30, 2025
CURRENT ASSETS		
Revenue Fund:		
Cash and Cash Equivalents	$ 2,589	$ 2,517
Total Revenue Fund	2,589	2,517
Construction Fund:		
Cash and Cash Equivalents	24,774,876	37,531,419
Total Construction Fund	24,774,876	37,531,419
Capitalized Interest Fund:		
Cash and Cash Equivalents	4,026,880	6,789,446
Total Capitalized Interest Fund	4,026,880	6,789,446
Interest and Sinking Fund:		
Cash and Cash Equivalents	1,595	1,019
Total Interest and Sinking Fund	1,595	1,019
Accrued Interest Receivable	69,748	151,472
TOTAL CURRENT ASSETS	$ 28,875,688	$ 44,475,873
NONCURRENT ASSETS		
Capital Assets, Nondepreciable	57,834,271	34,789,758
TOTAL NONCURRENT ASSETS	$ 57,834,271	$ 34,789,758
TOTAL ASSETS	$ 86,709,959	$ 79,265,631

LIABILITIES & NET POSITION	Jun 30, 2026	Sep 30, 2025
CURRENT LIABILITIES		
Accrued Interest - 2025A	$ 818,121	$ 853,548
Accounts Payable	96,095	1,109,510
TOTAL CURRENT LIABILITIES	$ 914,216	$ 1,963,058
NONCURRENT LIABILITIES		
Accrued Interest - 2025B	2,924	674
Bonds Payable	82,012,000	74,495,000
Bond Premium	3,423,340	3,546,580
TOTAL NONCURRENT LIABILITIES	$ 85,438,264	$ 78,042,254
TOTAL LIABILITIES AND DEFERRED INFLOWS	$ 86,352,480	$ 80,005,312
TOTAL NET POSITION	$ 357,479	$ (739,681)
TOTAL LIABILITIES & NET POSITION	$ 86,709,959	$ 79,265,631

KERRVILLE PUBLIC UTILITY BOARD
PAYMENT REGISTER (EXCLUDES WIRES)
INDIVIDUAL PAYMENTS > $10,000
APRIL 1, 2026 TO JUNE 30, 2026

	CHECK/ TRANS #	DATE	PMT TYPE	VENDOR #	VENDOR NAME	REFERENCE	AMOUNT
1	5085	05/28/26	DD	1926	CUSTOM TRUCK ONE SOURCE LP	DIGGER DERRICK	$ 370,013.07
2	5101	06/04/26	DD	1900	GRIDTECH LLC	SUBSTATION CONSTRUCTION	155,328.48
3	5069	05/21/26	DD	108	CITY OF KERRVILLE	3% GROSS REVENUES FEES-APRIL 2026	149,133.27
4	5009	04/23/26	DD	1900	GRIDTECH LLC	SUBSTATION CONSTRUCTION	136,184.89
5	5055	05/14/26	DD	1900	GRIDTECH LLC	SUBSTATION CONSTRUCTION	135,081.26
6	5118	06/11/26	DD	108	CITY OF KERRVILLE	3% GROSS REVENUES FEES-MAY 2026	114,891.51
7	4972	04/09/26	DD	108	CITY OF KERRVILLE	3% GROSS REVENUES FEES-MARCH 2026	102,956.41
8	5111	06/04/26	DD	18391	TEXAS ELECTRIC COOPERATIVES, INC.	TRANSFORMER-FIELD ASSEMBLY	89,130.00
9	4953	04/02/26	DD	1956	AKIN GUMP STRAUSS HAUER & FELD LLP	PROFESSIONAL SERVICES	50,000.00
10	5096	06/04/26	DD	1956	AKIN GUMP STRAUSS HAUER & FELD LLP	PROFESSIONAL SERVICES	50,000.00
11	5117	06/11/26	DD	1166	ANIXTER INC	CABLE	40,637.52
12	5025	04/30/26	DD	18391	TEXAS ELECTRIC COOPERATIVES, INC.	TRANSFORMER DELIVERY	39,738.50
13	5003	04/23/26	DD	25169	NISC, INC.	BILL PRINTING SERVICES	38,066.75
14	5090	05/28/26	DD	18391	TEXAS ELECTRIC COOPERATIVES, INC.	TRANSFORMER ADJUSTMENT	37,961.00
15	5008	04/23/26	DD	1531	TOWNSEND TREE SERVICE COMPANY LLC	TREE TRIMMING SERVICES	37,756.58
16	5060	05/14/26	DD	25169	NISC, INC.	BILL PRINTING SERVICES	34,751.10
17	5147	06/18/26	DD	25169	NISC, INC.	BILL PRINTING SERVICES	33,297.00
18	5080	05/21/26	DD	70	TECHLINE INCORPORATED	SWITCH	29,725.60
19	5142	06/18/26	DD	52	MAXEY ENERGY COMPANY	FUEL	29,169.59
20	5150	06/18/26	DD	70	TECHLINE INCORPORATED	SWITCH	28,399.46
21	138765	04/30/26	CHK	96	AMERICAN PUBLIC POWER ASSN. CORP.	ANNUAL DUES	26,023.23
22	5004	04/23/26	DD	13717	SHI GOVERNMENT SOLUTIONS, INC.	SOLARWINDS RENEWAL	25,296.27
23	4959	04/02/26	DD	1797	VC3 INC	CYBER SECURITY ESSENTIALS+	24,000.00
24	5133	06/11/26	DD	1531	TOWNSEND TREE SERVICE COMPANY LLC	TREE TRIMMING SERVICES	23,267.78
25	5160	06/25/26	DD	70	TECHLINE INCORPORATED	FUSELINK	21,905.62
26	4967	04/02/26	DD	1531	TOWNSEND TREE SERVICE COMPANY LLC	TREE TRIMMING SERVICES	21,455.25
27	4957	04/02/26	DD	110	LOWER COLORADO RIVER AUTHORITY	TRANSFORMER TESTING	18,000.00
28	5065	05/14/26	DD	1531	TOWNSEND TREE SERVICE COMPANY LLC	TREE TRIMMING SERVICES	17,134.88

KERRVILLE PUBLIC UTILITY BOARD
PAYMENT REGISTER (EXCLUDES WIRES)
INDIVIDUAL PAYMENTS > $10,000
APRIL 1, 2026 TO JUNE 30, 2026

	CHECK/ TRANS #	DATE	PMT TYPE	VENDOR #	VENDOR NAME	REFERENCE	AMOUNT
29	5151	06/18/26	DD	18391	TEXAS ELECTRIC COOPERATIVES, INC.	TRANSFORMERS	17,133.30
30	5047	05/07/26	DD	1531	TOWNSEND TREE SERVICE COMPANY LLC	TREE TRIMMING SERVICES	17,024.97
31	5075	05/21/26	DD	1531	TOWNSEND TREE SERVICE COMPANY LLC	FUEL	16,986.95
32	5152	06/18/26	DD	1531	TOWNSEND TREE SERVICE COMPANY LLC	TREE TRIMMING SERVICES	16,820.48
33	5091	05/28/26	DD	1531	TOWNSEND TREE SERVICE COMPANY LLC	TREE TRIMMING SERVICES	15,876.32
34	5106	06/04/26	DD	1842	NORTON ROSE FULBRIGHT US LLP	PROFESSIONAL SERVICES	14,982.50
35	4989	04/09/26	DD	1531	TOWNSEND TREE SERVICE COMPANY LLC	TREE TRIMMING SERVICES	14,302.60
36	5028	04/30/26	DD	1531	TOWNSEND TREE SERVICE COMPANY LLC	TREE TRIMMING SERVICES	14,197.06
37	4993	04/16/26	DD	1905	FREEIT DATA SOLUTIONS INC	EXCHANGE MIGRATION	13,818.75
38	138766	04/30/26	CHK	12413	BERNHARD MEAT PROCESSING	KPUB SAFETY/AWARD PICNIC CERTIFICATES	13,600.00
39	5155	06/25/26	DD	1166	ANIXTER INC	STREETWAY LIGHTS	11,840.00
40	5031	05/07/26	DD	1710	3SIXTY INTEGRATED	SECURITY SERVICE MAINTENANCE RENEWAL	11,641.00
41	5130	06/11/26	DD	5415	SCHNEIDER ENGINEERING, LLC	PROFESSIONAL SERVICES	11,160.19
42	4958	04/02/26	DD	70	TECHLINE INCORPORATED	LOCKING METER RING	11,125.04
43	5108	06/04/26	DD	8601	SO FAST PRINTING, INC.	KPUB SPRING NEWSLETTER/POSTAGE	10,148.00
							$ 2,089,962.18

KERRVILLE PUBLIC UTILITY BOARD
VENDOR PAYMENTS TOTALING OVER $10,000
ROLLING 12 MONTHS ENDED JUNE 30, 2026

	VENDOR NAME	JUL-SEP 2025	OCT-DEC 2025	JAN-MARCH 2026	APRIL 2026	MAY 2026	JUNE 2026	GRAND TOTAL
1	CITY OF KERRVILLE	$ 424,314.80	$ 389,620.58	$ 383,032.16	$ 103,329.69	$ 149,448.07	$ 115,104.67	$ 1,564,849.97
2	TECHLINE INCORPORATED	402,211.62	268,333.43	146,741.25	33,613.41	35,096.76	59,467.58	945,464.05
3	TOWNSEND TREE SERVICE COMPANY	223,723.14	232,812.69	157,742.68	87,711.49	67,023.12	50,255.63	819,268.75
4	GRIDTECH LLC				136,184.89	135,081.26	155,328.48	426,594.63
5	NISC, INC.	104,034.98	110,220.64	97,198.21	38,066.75	34,751.10	33,297.00	417,568.68
6	CUSTOM TRUCK ONE SOURCE LP					370,013.07		370,013.07
7	TEXAS ELECTRIC COOPERATIVES, INC.	65,120.84	28,342.76	63,981.02	45,362.65	42,381.40	107,168.30	352,356.97
8	CENTENNIAL BANK VISA	70,603.43	82,922.28	60,572.59	27,722.88	20,213.14	22,900.65	284,934.97
9	LOWER COLORADO RIVER AUTHORITY	37,278.18	220,580.01	2,730.35	19,407.00			279,995.54
10	ANIXTER INC	78,477.07	106,552.07	6,939.80	6,472.40	3,526.85	60,367.52	262,335.71
11	JAMES POWER LINE CONSTRUCTION	232,157.36						232,157.36
12	SCHNEIDER ENGINEERING, LLC	79,596.49	68,182.46	56,606.95	6,014.88	7,311.63	13,660.19	231,372.60
13	SOUTHERN STATES, LLC			200,754.87				200,754.87
14	COMPUTER SOLUTIONS	27,334.31	124,868.67	24,728.63	3,214.40	3,584.00		183,730.01
15	TML INTERGOVERNMENTAL RISK POOL	1,000.00	176,839.04					177,839.04
16	LINETEC SERVICES LLC	172,607.34						172,607.34
17	ALTEC INDUSTRIES, INC.	164,781.74	546.22		221.99	171.72	633.13	166,354.80
18	STUART C. IRBY COMPANY	91,462.54	57,638.81	3,529.25	1,190.50			153,821.10
19	AKIN GUMP STRAUSS HAUER & FELD			50,000.00	50,000.00		50,000.00	150,000.00
20	CITY OF GEORGETOWN	125,934.09						125,934.09
21	MAXEY ENERGY COMPANY	42,918.16	22,223.30	20,443.29			29,169.59	114,754.34
22	KIRBY-SMITH MACHINERY INC	100,000.00						100,000.00
23	ALLIANT INSURANCE SERVICES INC		99,110.83					99,110.83
24	PROGRESSIVE EMERGENCY PRODUCTS		78,751.40					78,751.40
25	COOPERATIVE RESPONSE CENTER	19,074.59	17,361.22	17,298.15	5,939.76	5,650.96	6,593.00	71,917.68
26	CITY OF INGRAM	35,439.70		35,890.42				71,330.12
27	SHI GOVERNMENT SOLUTIONS, INC.			43,712.34	26,678.87			70,391.21
28	VERIZON WIRELESS	11,793.36	8,819.22	32,414.96	3,323.15	2,822.29	3,085.44	62,258.42
29	SOLID BORDER, INC.		55,729.09					55,729.09
30	LANDIS+GYR TECHNOLOGY INC	18,525.00	10,687.91	15,080.97	3,705.00	3,705.00	3,705.00	55,408.88
31	KBS ELECTRICAL DISTRIBUTORS INC.	5,704.70	38,674.15	1,575.40		3,113.00	3,216.00	52,283.25

KERRVILLE PUBLIC UTILITY BOARD
VENDOR PAYMENTS TOTALING OVER $10,000
ROLLING 12 MONTHS ENDED JUNE 30, 2026

	VENDOR NAME	JUL-SEP 2025	OCT-DEC 2025	JAN-MARCH 2026	APRIL 2026	MAY 2026	JUNE 2026	GRAND TOTAL
32	ALAMON INC			52,128.10				52,128.10
33	KERRVILLE EDC			50,000.00				50,000.00
34	KEN STOEPEL FORD	46,159.84				1,649.20		47,809.04
35	FLORESVILLE ELECTRIC LIGHT&POWER	47,477.38						47,477.38
36	MCLANE FORD OF FREDERICKSBURG	47,149.83						47,149.83
37	USIC LOCATING SERVICES, INC.	11,966.50	11,593.85	8,610.66	5,024.82	4,699.56	3,925.67	45,821.06
38	FREEIT DATA SOLUTIONS INC	23,449.24	1,598.00	6,806.25	13,818.75			45,672.24
39	AMERICAN FIDELITY ASSURANCE CO	7,933.78	15,219.22	8,802.08	8,703.86	4,471.93		45,130.87
40	SO FAST PRINTING, INC.	13,021.00	10,341.21	10,500.00	422.00	50.00	10,148.00	44,482.21
41	KRAUSS GARAGE	10,142.57	12,185.48	1,591.10	17,849.37	1,645.97		43,414.49
42	DAVIDSON TROILO REAM & GARZA	6,150.29	13,580.14	11,017.98	3,480.50	3,687.50	2,737.00	40,653.41
43	FLYIN DIESEL PERFORMANCE	12,889.74	22,503.52	3,027.46	1,066.00			39,486.72
44	METROPOLITAN LIFE INS. CO.	6,211.96	9,310.51	12,440.32	3,110.08	3,110.08	3,138.08	37,321.03
45	ECKOH LLC	35,342.56	304.84	285.08	100.45	91.18	97.42	36,221.53
46	REINHAUSEN MANUFACTURING INC.	36,069.23						36,069.23
47	BOLINGER, SEGARS, GILBERT & MOSS		28,000.00	6,500.00				34,500.00
48	CARAHSOFT TECHNOLOGY CORP	23,962.22			1,794.00	8,613.00		34,369.22
49	SURVALENT TECHNOLOGY INC		31,878.00					31,878.00
50	SUPER STERILE JANITORIAL, LLC	8,025.00	7,800.00	7,800.00	2,600.00	2,600.00	2,600.00	31,425.00
51	CENTRAL TEXAS ELECTRIC COOP	28,304.92	488.64					28,793.56
52	ADVANCED DOOR CONTROL, LLC		23,409.00	4,805.00			468.75	28,682.75
53	RGB RESOURCES, LLC	9,650.00	18,560.00					28,210.00
54	BRILLION INC		28,167.00					28,167.00
55	ECOONLINE	27,624.58						27,624.58
56	AMERICAN PUBLIC POWER ASSN	1,295.00			26,023.23			27,318.23
57	SIEMENS INDUSTRY, INC.	27,017.00						27,017.00
58	CONTROL PANELS USA INC		26,235.00					26,235.00
59	BAT CITY, INC.	12,021.32	6,092.63			336.25	7,089.44	25,539.64
60	BRYAN TEXAS UTILITIES	25,339.37						25,339.37
61	JSI		11,608.59	12,891.41				24,500.00
62	VC3 INC				24,000.00			24,000.00

KERRVILLE PUBLIC UTILITY BOARD
VENDOR PAYMENTS TOTALING OVER $10,000
ROLLING 12 MONTHS ENDED JUNE 30, 2026

	VENDOR NAME	JUL-SEP 2025	OCT-DEC 2025	JAN-MARCH 2026	APRIL 2026	MAY 2026	JUNE 2026	GRAND TOTAL
63	ENTERPRISE FM TRUST	5,025.42	5,025.42	5,025.42	1,675.14	1,675.14	1,890.14	20,316.68
64	TEXAS PUBLIC POWER ASSOC.	20,103.00						20,103.00
65	SCHWEITZER ENGINEERING LABS		19,831.12					19,831.12
66	WAYPOINT SOLUTIONS		18,886.33					18,886.33
67	TUCKER'S MOBILE SERVICE LLC	4,146.48	3,131.94	7,817.92		3,086.70		18,183.04
68	3SIXTY INTEGRATED	743.41		5,700.43		11,641.00		18,084.84
69	HCTC	3,700.47	3,728.43	3,672.15	1,023.97	1,252.26	2,383.97	15,761.25
70	ONLINE INFORMATION SERVICES, INC.	4,033.06	3,953.16	2,562.49	2,643.33	1,123.77	1,105.32	15,421.13
71	NATURESCAPE HILL COUNTRY LLC	4,203.00	3,724.00	1,590.00	2,318.00	1,513.80	1,840.00	15,188.80
72	NORTON ROSE FULBRIGHT US LLP						14,982.50	14,982.50
73	TEXAS MUNICIPAL LEAGUE			14,174.42				14,174.42
74	BERNHARD MEAT PROCESSING				13,600.00			13,600.00
75	STEPHEN B SCHULTE, P.C.	2,500.00	2,812.50	2,750.00	3,500.00		1,675.00	13,237.50
76	REPUBLIC SERVICES	3,500.53	2,844.36	2,343.69	1,696.93	1,372.15	421.41	12,179.07
77	NEWGEN STRATEGIES & SOLUTIONS	12,052.50						12,052.50
78	WESCO DISTRIBUTION, INC.		3,929.64	3,978.40	4,079.40			11,987.44
79	HILLTOP OPCO LLC					11,425.33		11,425.33
80	TOYOTA LIFT OF SOUTH TEXAS	1,378.50	9,971.36					11,349.86
81	INTEGRAL AV SOLUTIONS, LLC		6,347.88	3,806.05	324.62		816.76	11,295.31
82	UPPERCASE DESIGN GROUP, LLC	4,432.68	3,497.50	2,561.25		776.25		11,267.68
83	OFFICESOURCE LTD		11,055.96					11,055.96
84	TEXAS PRO SOUND AND VIDEO	1,815.00	2,590.00	410.00	970.00	4,288.00	920.00	10,993.00
85	KERR COUNTY ABSTRACT & TITLE	10,000.00						10,000.00
		$ 3,078,930.82	$ 2,579,022.01	$ 1,674,570.95	$ 737,984.16	$ 953,002.44	$ 770,191.64	$ 9,793,702.02

MEMORANDUM

To: Glenn Andrew
Rachel Johnston
Larry Howard
David Sprouse
Mayor Joe Herring, Jr.

From: Amy Dozier

Date: July 9, 2026

Re: Agenda Item No. 8 – Resolution 26-14 – Revision of Residential Electric Rates and Forwarding the Proposed Residential Tariff to the City of Kerrville for Action and Approval by the City Council

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In 2025, KPUB contracted with NewGen Strategies and Solutions (NewGen) to perform an Electric Cost of Service and Rate Design Study. The results of the Study, including recommended rate strategies to promote operational resiliency, financial stability, and equitable cost recovery while maintaining customer acceptance and minimizing administrative complexity, were presented to the Board on July 16, 2025, by Grant Rabon of NewGen.

The Study recommended revisions to the Residential Customer Charge, Distribution Charge, and Power Supply Charge effective in the first year (FY2026), followed by annual adjustments to the Distribution Charge over a five-year period. However, the Board adopted Resolution No. 25-22 directing staff to defer the fiscal year 2026 rate increase by utilizing up to $3.4 million from the Rate Stabilization Fund to provide economic relief to the community following the July 4, 2025 flood. The temporary deferral is only for fiscal year 2026, making implementation of revised rates in fiscal year 2027 necessary to maintain KPUB's financial integrity and stability.

Management now recommends that NewGen's proposed year 1 rate changes be implemented on November 1, 2026 as follows:

Residential Monthly Rate	**Current**	**Proposed**
Customer Charge	$ 15.25	$ 16.75
Distribution Charge ($/kWh)	$ 0.01680	$ 0.02088
Power Supply Base Charge ($/kWh)	$ 0.04060	$ 0.04543
Monthly Residential Bill - 1,000 kWh		
Customer Charge	$ 15.25	$ 16.75
Distribution Charge	16.80	20.88
Total Power Supply Charge*	77.95	77.95
Total Bill	$ 110.00	$ 115.58

*Note that the total power supply charge is comprised of a base charge and an adjustment that depends on the actual cost of purchased power. The rates shown in this example reflect the Power Supply Charge in July 2026. The adjustment portion of the Power Supply Charge can change at any time based on actual power costs.

In addition to the change in rates, NewGen proposed a change in the way the Power Cost Adjustment is calculated. The new approach reflects an industry standard and results in a flat rate per kWh instead of a multiplier. Details of the previous and proposed calculations are attached.

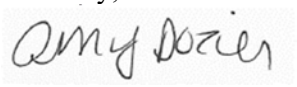
If the Board approves this resolution, the next step in the process is to take the approved resolution along with a City of Kerrville Ordinance to the Kerrville City Council for approval. City Council ordinances require two votes, which would be scheduled for August 11, 2026 and August 25, 2026. The new rates would be effective November 1, 2026.

Attached to this memo, please find:

1. Resolution 26-14, including revised tariff as Exhibit A
2. Redlined tariff
3. Electric Cost of Service and Rate Design Study from NewGen

I am happy to answer any questions regarding the proposed changes.

Sincerely,



Amy Dozier
Assistant General Manager

RESOLUTION NO. 26-14

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

WHEREAS, in January 2025, KPUB contracted with NewGen Strategies and Solutions to perform an Electric Cost of Service and Rate Design Study; and

WHEREAS, the Study evaluated the costs of operating, maintaining, and improving KPUB's electric utility system and recommended a rate design intended to ensure that electric rates remain fair, equitable, and sufficient to support the utility's long-term financial sustainability and infrastructure investment; and

WHEREAS, the results of the Study, including recommended rate strategies to promote operational resiliency, financial stability, and equitable cost recovery while maintaining customer acceptance and minimizing administrative complexity, were presented to the Board on July 16, 2025, by Grant Rabon of NewGen Strategies and Solutions; and

WHEREAS, the Study recommended revisions to the Residential Customer Charge, Distribution Charge, and Power Supply Charge effective in the first year, followed by annual adjustments to the Distribution Charge over a five-year period; and

WHEREAS, the Study recommended simplifying the power cost adjustment calculation methodology, in line with industry standards resulting in a flat rate per kWh, rather than a factor, for the adjustment; and

WHEREAS, on September 17, 2025, the Board adopted Resolution No. 25-22 directing staff to defer the fiscal year 2026 rate increase by utilizing up to $3,400,000 from the Rate Stabilization Fund to provide economic relief to the community following the July 4, 2025 flood; and

WHEREAS, the temporary deferral is only for fiscal year 2026, making implementation of revised rates in fiscal year 2027 necessary to maintain KPUB’s financial integrity; and

WHEREAS, the Board finds that the proposed residential rates are just, reasonable, nondiscriminatory, and designed to recover the cost of providing electric service while maintaining KPUB's financial stability; and

WHEREAS, revisions to residential electric rates require approval by the Kerrville City Council;

BE IT RESOLVED BY THE KERRVILLE PUBLIC UTILITY BOARD THAT:

Section 1. The above recitals are true and correct.

Section 2. The Board approves the revised Residential Rate Tariff, and Power Cost Adjustment ("PCA") Rider, and administrative updates to the Billing section attached hereto as Exhibit "A", as recommended by NewGen Strategies and Solutions and KPUB Staff. The General Manager is authorized and directed to forward the revised residential rate tariff and PCA Rider described herein to the Kerrville City Council for its consideration and action.

PASSED, APPROVED AND ADOPTED on this 15th day of July, 2026

_____

Glenn Andrew, Chairman

ATTEST:

_____

Larry Howard, Secretary

EXHIBIT A

RESIDENTIAL SERVICE
RATE SCHEDULE - RS

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

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

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

MONTHLY RATE

CHARGE		*AMOUNT*
CUSTOMER CHARGE: Meter, Meter Reading, and Billing Charge		$16.75
DISTRIBUTION	All kWh	$0.02088 per kWh
POWER SUPPLY	All kWh	$0.04543 per kWh

Plus an amount calculated in accordance with Rider PCA.

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

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

PAYMENT

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

POWER COST ADJUSTMENT
RIDER PCA

APPLICATION
Applicable to all rate schedules which include sales of electric energy through kWh billing.

The monthly bill for power supply charges computed in accordance with the appropriate electric rate schedule shall be increased or decreased by the Power Cost Adjustment (PCA). The PCA is a charge per kWh that is used to ensure an adequate revenue stream to cover all power and transmission costs.

METHOD OF CALCULATION
The Power Cost Adjustment (PCA) is calculated for the current billing month using the following formulas:

Power Cost Adjustment Formulas:

Primary Voltage PCA $$\frac{((A+B+C)-F)/(D+E)}{1-G}$$

Secondary Voltage PCA $$\frac{((A+B+C)-F)/(D+E)}{1-H}$$

	Description
A	Base Year (FY2025) Actual Power Cost
B	+/- Adjustment to maintain stable rates
C	+/- Adjustment for current year prices
D	Base Year (FY2025) Actual kWh Sales
E	+/- Adjustment for current year kWh sales
F	2025 Rate Study Fixed Power Supply Costs (Debt + Transmission)
G	Assumed Loss - Primary Voltage
H	Assumed Loss - Secondary Voltage

Rates may be stabilized through over- or under-collection of power supply costs and transfers to and from the Rate Stabilization Fund within limits established by Resolution of the Kerrville Public Utility Board.

The PCA and Power Supply Charge are expressed as $/kWh and shall both be calculated to the nearest $.00001.

BILLING

Selection of Rate Schedule

Except as otherwise provided for commercial rate classes, Customer is solely responsible for the selection of the applicable rate schedule most favorable to Customer.

Disputed Bills

When a customer believes that the amount of any bill rendered by KPUB for service of electricity is in error, the Customer should:

1. request an explanation of the bill from the electric utility office of KPUB and if this does not resolve the matter,
2. request in writing, an investigation of the matter, setting forth all information relative to the dispute and enclosing with the request an amount equal to the Customer's average monthly usage at current rates based on the preceding twelve-month period.

KPUB will investigate the matter promptly and communicate, in writing, its findings to the Customer. Any amount overpaid by the customer shall be refunded or credited to his account. Any balance still owing by the Customer will be due immediately. If the customer is still not satisfied, a complaint can be filed with KPUB. Should this occur, the customer shall not be required to pay the disputed portion if the bill which exceeds the amount of that Customer's average monthly usage at current rates pending the completion of the determination of the dispute, but in no event more than 60 days.

KPUB will not discontinue service nor will the Customer's credit be impaired during such investigation. The customer does not waive any rights he may have by following the procedure set out above.

Payment Of Bill

Bills for service will be based upon the metered consumption, or estimated consumption if no meter reading is taken, as billed under the applicable rate schedule. They will be rendered at regular intervals, and are due and payable within sixteen(16) days from the date of issuance of the bill. The Customer will pay the net amount of the bill if paid on or before the due date. All other bills are due on presentation.

Payment of charges for connection or reconnection of service and payments of initial deposits or reinstated deposits as required under these Rules shall be made before service will be connected or reconnected.

Deferred Payment Plan

If a Customer who has not been delinquent more than twice in the past 12 months expresses inability to pay a bill, a deferred payment plan can be entered into. Under such plan, a

customer can spread payment of the current bill over three months but agrees to pay future bills as due. If, during the term of the deferred payment plan, the Customer's economic or financial circumstances change, the plan may be renegotiated. A penalty of five percent (5%) may be included in the deferred payment plan for late payment, but no finance charge will be included. Noncompliance with the terms of the deferred payment plan is cause for discontinuance of service.

Billing Periods

KPUB will read its meters at regularly scheduled periods. When for any reason the periods covered by such readings are substantially greater or less than the regular periods, bills may be computed by prorating on the basis of the regularly scheduled period covered by the meter readings.

Bills for electric service shall be rendered monthly unless service is rendered for a period of less than a month. Bills shall be rendered as promptly as possible following the reading of meters.

Estimating Bills

In the event that the scheduled reading of meters is not possible KPUB will estimate the consumption, and will render an appropriately marked estimated bill for the period involved. The bill so provided shall have the same force and effect as if they were based on actual meter readings, and shall be paid in accordance with the terms of the applicable rate schedule and Rules. An actual reading must be taken at least every three months.

Form of Bills

The Customer's bill shall show all the following information:

1. Bills based on meter readings obtained by KPUB shall show the period in which consumption occurred, the meter reading date of such period and the reading of the meter at the beginning and at the end of the period for which the bill is rendered;
2. The number and kind of units metered;
3. The applicable rate schedule, title or code;
4. The total amount due for services provided after addition of any penalty;
5. The monthly Power Cost Adjustment Factor;
6. The date by which the Customer must pay the bill in order to avoid additional billing;
7. A distinct marking to identify an estimated bill;
8. Any conversions from meter reading units to billing units, or any other calculations to determine billing units from recording or other devices, or any other factors used in determining the bill; and
9. The information appearing on the bill shall be sufficient to allow the Customer to readily compute his bill after references to the applicable rate schedule, which shall be provided to the Customer on request.

Level Payment Plan

A residential Customer may qualify for an level or average payment plan if the Customer has not been delinquent more than twice in the last 12 months. The level monthly payment shall be calculated as one-twelfth the sum of the Customer's previous 12 months consumption or estimated annual consumption applied to the current rate schedule.

The level monthly payment calculated may be adjusted quarterly for actual usage.

Adjustment of Bills for Meter Error

If a Customer believes that a meter is registering inaccurately, he may request a test to be performed during normal business hours at a time to be determined by KPUB. Such determination shall accommodate the convenience of the Customer if the Customer or his duly authorized representative desires to observe the test.

The test shall be made on the Customer's premises or at KPUB's discretion, at a test laboratory. When a meter test is performed upon request by the Customer in accordance with the foregoing, such test shall be made at no cost to the Customer, however, if the meter has been tested by KPUB, or by an authorized agency, at the Customer's request, and within a period of four years the Customer requests a new test, KPUB shall make the test, but if the meter is found to be within the accuracy standards established by the American National Standards Institute, KPUB may charge the Customer a fee which reflects the cost to test the meter. If the meter is found to be registering inaccurately, KPUB will assume the cost of the test and will adjust the Customer's bill for the effect of the error. Following the completion of any requested test, KPUB shall promptly advise the Customer of the date of the removal of the meter, the date of the test, the result of the test, and who made the test.

If any meter is found to be outside of the accuracy standards established by the American National Standards Institute, proper correction shall be made of previous readings for the period of six months immediately preceding the removal of such meter from service for the test, or from the time the meter was in service since last tested, but not exceeding six months, as the meter shall have been shown to be in error by such test, and adjusted bills shall be rendered. No refund shall be made by KPUB except to the Customer last served by the meter prior to the testing. If a meter is found not to register for any period, unless bypassed or tampered with, KPUB shall make a charge for units used, but not metered, for a period not to exceed three months based on amounts used under similar conditions during the period preceding or subsequent thereto, or during corresponding periods in previous years.

Metered Consumption Not Combined

For the purpose of calculating charges, each meter on the Customer's premises will be considered separately, and the consumption recorded by two or more meters will not be combined except as follows:

1. Where the combination of metered consumption is specifically provided for in the rate schedule.
2. Where the maintenance of adequate service and/or where KPUB's operating convenience shall require the installation of two or more meters upon the Customer's premises instead of one meter.

Overbilling and Underbilling

If billing is found to be in error, a billing adjustment shall be calculated by KPUB.

If Customer was undercharged, KPUB may backbill to collect such undercharges for billings not older than six months unless the undercharge is the result of meter tampering as defined by these Rules or unless KPUB produces records identifying and justifying additional backbilling. If underbilling is not related to meter tampering, KPUB may offer Customer a level payment plan for the same length of time as that of the underbilling.

If Customer was overcharged, KPUB shall refund Customer the full amount for the entire period of overbilling.

DISCONTINUANCE OF ELECTRIC SERVICE

Customer Discontinues Electric Service

A Customer may request service to be disconnected at any time unless there is a provision to the contrary in the service contract or applicable rate schedule. The Customer is responsible for any use of the electric service until KPUB has had a reasonable time to secure a final reading or to remove the meter.

KPUB is not obligated, after discontinuance, to again provide electric service to Customer at the same service location unless Customer reapplies for and KPUB agrees to provide electric service.

KPUB Discontinues Electric Service

KPUB, in addition to all other legal remedies, may discontinue electric service to Customer without liability for any of the following reasons:

Discontinuance with Notice

1. Non-Payment of Bills or non-compliance with deferred payment plan
   Service may be discontinued by KPUB for failure of the Customer to pay bills in accordance with these Rules if a termination notice is given after the due date and twenty-six (26) days have elapsed from the date of issuance of the bill. Customers who have elected paperless billing may receive termination notices electronically in lieu of a mailed notice.

2. Failure to comply with the terms of the Agreement for Electric Service, Special Contract, the Application for Electric Service, these Rules, or the rate schedule under which the Customer is receiving electric service.

3. Failure to comply with the terms of or make payment of required deposits or other charges as required by this Tariff for Electric Service.

4. Violation of these Rules pertaining to use of service in a manner which interferes with the service of others or the operation of non-standard equipment, if a reasonable attempt has been made to notify the Customer and the Customer is provided with a reasonable opportunity to remedy the situation.

RESIDENTIAL SERVICE
RATE SCHEDULE - RS

APPLICATION

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

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

CHARACTER OF SERVICE

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

MONTHLY RATE

CHARGE		***AMOUNT***
CUSTOMER CHARGE: Meter, Meter Reading, and Billing Charge		$~~15.25~~16.75
DISTRIBUTION	All kWh	$0.~~01680~~ .02088 per kWh
POWER SUPPLY	All kWh	$0.~~04060~~ .04543 per kWh

Plus an amount calculated in accordance with Rider PCAF.

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

MINIMUM CHARGE

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

PAYMENT

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

POWER COST ADJUSTMENT FACTOR
RIDER PCAF

APPLICATION

Applicable to all rate schedules which include sales of electric energy through kWh billing.

The monthly bill for power supply charges computed in accordance with the appropriate electric rate schedule shall be increased or decreased to account for variances in purchased power expense from that amount included in each electric rate schedule. The Power Supply Charge in each rate schedule shall be multiplied by the Power Cost Adjustment Factor (PCAF) as calculated below on a monthly basis.

METHOD OF CALCULATION

The Power Cost Adjustment Factor (PCAF) is calculated for the current billing month for the system. The formula for determining the PCAF is:

$$PCAF = \frac{((C \pm A)/S)}{0.03969}$$

C = Total Purchased Power Supply costs for the preceding month.

S = Total estimated retail energy sales in kWh for the current month as approved in the annual budget.

A = Adjustment to:

1. Correct for the difference between the actual Purchase Power Supply costs and Power Supply Charge revenues of the previous month;
2. Stabilize rates through over- or under-collection of power supply costs and transfers to and from the Rate Stabilization Fund within limits established by Resolution of the Kerrville Public Utility Board.

The PCAF is calculated to the nearest .000001.

The Power Supply Charge adjusted by the PCAF shall be calculated to the nearest .00001

POWER COST ADJUSTMENT

RIDER PCA

APPLICATION

Applicable to all rate schedules which include sales of electric energy through kWh billing.

The monthly bill for power supply charges computed in accordance with the appropriate electric rate schedule shall be increased or decreased by the Power Cost Adjustment (PCA). The PCA is a charge per kWh that is used to ensure an adequate revenue stream to cover all power and transmission costs.

METHOD OF CALCULATION

The Power Cost Adjustment (PCA) is calculated for the current billing month using the following formulas:

Power Cost Adjustment Formulas:

Primary Voltage PCA $\dfrac{((A+B+C)-F)/(D+E)}{1-G}$

Secondary Voltage PCA $\dfrac{((A+B+C)-F)/(D+E)}{1-H}$

	Description
A	Base Year (FY2025) Actual Power Cost
B	+/- Adjustment to maintain stable rates
C	+/- Adjustment for current year prices
D	Base Year (FY2025) Actual kWh Sales
E	+/- Adjustment for current year kWh sales
F	2025 Rate Study Fixed Power Supply Costs (Debt + Transmission)
G	Assumed Loss - Primary Voltage
H	Assumed Loss - Secondary Voltage

Rates may be stabilized through over- or under-collection of power supply costs and transfers to and from the Rate Stabilization Fund within limits established by Resolution of the Kerrville Public Utility Board.

The PCA and Power Supply Charge are expressed as $/kWh and shall both be calculated to the nearest $.00001.

BILLING

Selection of Rate Schedule

Except as otherwise provided for commercial rate classes, Customer is solely responsible for the selection of the applicable rate schedule most favorable to Customer.

Disputed Bills

When a customer believes that the amount of any bill rendered by KPUB for service of electricity is in error, the Customer should:

1. request an explanation of the bill from the electric utility office of KPUB and if this does not resolve the matter,
2. request in writing, an investigation of the matter, setting forth all information relative to the dispute and enclosing with the request an amount equal to the Customer's average monthly usage at current rates based on the preceding twelve-month period.

KPUB will investigate the matter promptly and communicate, in writing, its findings to the Customer. Any amount overpaid by the customer shall be refunded or credited to his account. Any balance still owing by the Customer will be due immediately. If the customer is still not satisfied, a complaint can be filed with KPUB. Should this occur, the customer shall not be required to pay the disputed portion if the bill which exceeds the amount of that Customer's average monthly usage at current rates pending the completion of the determination of the dispute, but in no event more than 60 days.

KPUB will not discontinue service nor will the Customer's credit be impaired during such investigation. The customer does not waive any rights he may have by following the procedure set out above.

Payment Of Bill

Bills for service will be based upon the metered consumption, or estimated consumption if no meter reading is taken, as billed under the applicable rate schedule. They will be rendered at regular intervals, and are due and payable within sixteen(16) days from the date of issuance of the bill. The Customer will pay the net amount of the bill if paid on or before the due date. All other bills are due on presentation.

Payment of charges for connection or reconnection of service and payments of initial deposits or reinstated deposits as required under these Rules shall be made before service will be connected or reconnected.

Deferred Payment Plan

If a Customer who has not been delinquent more than twice in the past 12 months expresses inability to pay a bill, a deferred payment plan can be entered into. Under such plan, a customer can spread payment of the current bill over three months but agrees to pay future bills as due. If, during the term of the deferred payment plan, the Customer's economic or financial circumstances change, the plan may be renegotiated. A penalty of five percent (5%) may be included in the deferred payment plan for late payment, but no finance charge will be included. Noncompliance with the terms of the deferred payment plan is cause for discontinuance of service.

Billing Periods

KPUB will read its meters at regularly scheduled periods. When for any reason the periods covered by such readings are substantially greater or less than the regular periods, bills may be computed by prorating on the basis of the regularly scheduled period covered by the meter readings.

Bills for electric service shall be rendered monthly unless service is rendered for a period of less than a month. Bills shall be rendered as promptly as possible following the reading of meters.

Estimating Bills

In the event that the scheduled reading of meters is not possible KPUB will estimate the consumption, and will render an appropriately marked estimated bill for the period involved. The bill so provided shall have the same force and effect as if they were based on actual meter readings, and shall be paid in accordance with the terms of the applicable rate schedule and Rules. An actual reading must be taken at least every three months.

Form of Bills

The Customer's bill shall show all the following information:

1. Bills based on meter readings obtained by KPUB shall show the period in which consumption occurred, the meter reading date of such period and the reading of the meter at the beginning and at the end of the period for which the bill is rendered;
2. The number and kind of units metered;
3. The applicable rate schedule, title or code;
4. The total amount due for services provided after addition of any penalty;
5. The monthly Power Cost Adjustment Factor;
6. The date by which the Customer must pay the bill in order to avoid additional billing;
7. A distinct marking to identify an estimated bill;
8. Any conversions from meter reading units to billing units, or any other calculations to determine billing units from recording or other devices, or any other factors used in determining the bill; and

9. The information appearing on the bill shall be sufficient to allow the Customer to readily compute his bill after references to the applicable rate schedule, which shall be provided to the Customer on request.

Level Payment Plan

A residential Customer may qualify for an level or average payment plan if the Customer has not been delinquent more than twice in the last 12 months. The level monthly payment shall be calculated as one-twelfth the sum of the Customer's previous 12 months consumption or estimated annual consumption applied to the current rate schedule.

The level monthly payment calculated may be adjusted quarterly for actual usage.

Adjustment of Bills for Meter Error

If a Customer believes that a meter is registering inaccurately, he may request a test to be performed during normal business hours at a time to be determined by KPUB. Such determination shall accommodate the convenience of the Customer if the Customer or his duly authorized representative desires to observe the test.

The test shall be made on the Customer's premises or at KPUB's discretion, at a test laboratory. When a meter test is performed upon request by the Customer in accordance with the foregoing, such test shall be made at no cost to the Customer, however, if the meter has been tested by KPUB, or by an authorized agency, at the Customer's request, and within a period of four years the Customer requests a new test, KPUB shall make the test, but if the meter is found to be within the accuracy standards established by the American National Standards Institute, KPUB may charge the Customer a fee which reflects the cost to test the meter. If the meter is found to be registering inaccurately, KPUB will assume the cost of the test and will adjust the Customer's bill for the effect of the error. Following the completion of any requested test, KPUB shall promptly advise the Customer of the date of the removal of the meter, the date of the test, the result of the test, and who made the test.

If any meter is found to be outside of the accuracy standards established by the American National Standards Institute, proper correction shall be made of previous readings for the period of six months immediately preceding the removal of such meter from service for the test, or from the time the meter was in service since last tested, but not exceeding six months, as the meter shall have been shown to be in error by such test, and adjusted bills shall be rendered. No refund shall be made by KPUB except to the Customer last served by the meter prior to the testing. If a meter is found not to register for any period, unless bypassed or tampered with, KPUB shall make a charge for units used, but not metered, for a period not to exceed three months based on amounts used under similar conditions during the period preceding or subsequent thereto, or during corresponding periods in previous years.

Metered Consumption Not Combined

For the purpose of calculating charges, each meter on the Customer's premises will be considered separately, and the consumption recorded by two or more meters will not be combined except as follows:

1. Where the combination of metered consumption is specifically provided for in the rate schedule.
2. Where the maintenance of adequate service and/or where KPUB's operating convenience shall require the installation of two or more meters upon the Customer's premises instead of one meter.

Overbilling and Underbilling

If billing is found to be in error, a billing adjustment shall be calculated by KPUB.

If Customer was undercharged, KPUB may backbill to collect such undercharges for billings not older than six months unless the undercharge is the result of meter tampering as defined by these Rules or unless KPUB produces records identifying and justifying additional backbilling. If underbilling is not related to meter tampering, KPUB may offer Customer a level payment plan for the same length of time as that of the underbilling.

If Customer was overcharged, KPUB shall refund Customer the full amount for the entire period of overbilling.

DISCONTINUANCE OF ELECTRIC SERVICE

Customer Discontinues Electric Service

A Customer may request service to be disconnected at any time unless there is a provision to the contrary in the service contract or applicable rate schedule. The Customer is responsible for any use of the electric service until KPUB has had a reasonable time to secure a final reading or to remove the meter.

KPUB is not obligated, after discontinuance, to again provide electric service to Customer at the same service location unless Customer reapplies for and KPUB agrees to provide electric service.

KPUB Discontinues Electric Service

KPUB, in addition to all other legal remedies, may discontinue electric service to Customer without liability for any of the following reasons:

Discontinuance with Notice

1. Non-Payment of Bills or non-compliance with deferred payment plan
   Service may be discontinued by KPUB for failure of the Customer to pay bills in accordance with these Rules if a termination notice is given after the due date and twenty-six (26) days have elapsed from the date of issuance of the bill. Customers who have elected paperless billing may receive termination notices electronically in lieu of a mailed notice.

2. Failure to comply with the terms of the Agreement for Electric Service, Special Contract, the Application for Electric Service, these Rules, or the rate schedule under which the Customer is receiving electric service.

3. Failure to comply with the terms of or make payment of required deposits or other charges as required by this Tariff for Electric Service.

4. Violation of these Rules pertaining to use of service in a manner which interferes with the service of others or the operation of non-standard equipment, if a reasonable attempt has been made to notify the Customer and the Customer is provided with a reasonable opportunity to remedy the situation.

Discontinuance without Notice

1. Misrepresentation
   KPUB may discontinue service without notice upon the discovery that the Customer has made a misrepresentation to KPUB regarding the application for or use of electric service or has in any manner misrepresented same as determined by any authority having jurisdiction. Compliance with any such determination, order, or directive will relieve KPUB from any liability associated with the discontinuance of service. Payment of all amounts for which KPUB has not been compensated, including interest and other charges incurred in rendering service to the Customer whether or not specifically stated in the applicable rate schedule, shall be due and payable at the time of discontinuance of service.

2. Dangerous condition
   KPUB may discontinue electric service without notice upon discovery by any manner of a hazardous condition for as long as the condition exists.

3. Unlawful use of service
   KPUB may discontinue service without notice where service is connected without KPUB authorization by a person who has not made application, or who has reconnected service without KPUB authorization following termination of service for non-payment, or in instances of tampering with KPUB's metering or other equipment, bypassing the same or other instances of diversion of service, or evidence of attempted tampering or diversion, or service is determined by an authority having jurisdiction to be unlawfully connected or used.

   Compliance with any such determination, order , or directive will relieve KPUB from any liability associated with the discontinuance of service. Payment of all amounts for which KPUB has not been compensated , including interest and other charges incurred in rendering service to the Customer whether or not specifically stated in the applicable rate schedule, shall be due and payable at the time of discontinuance of service.

   In cases of meter tampering or bypassing of meter, electric energy consumed, but not metered, may be estimated by KPUB based on amounts used under similar conditions during preceding years. Where no previous usage history exists or is considered unreliable due to meter tampering or bypassing of meter,

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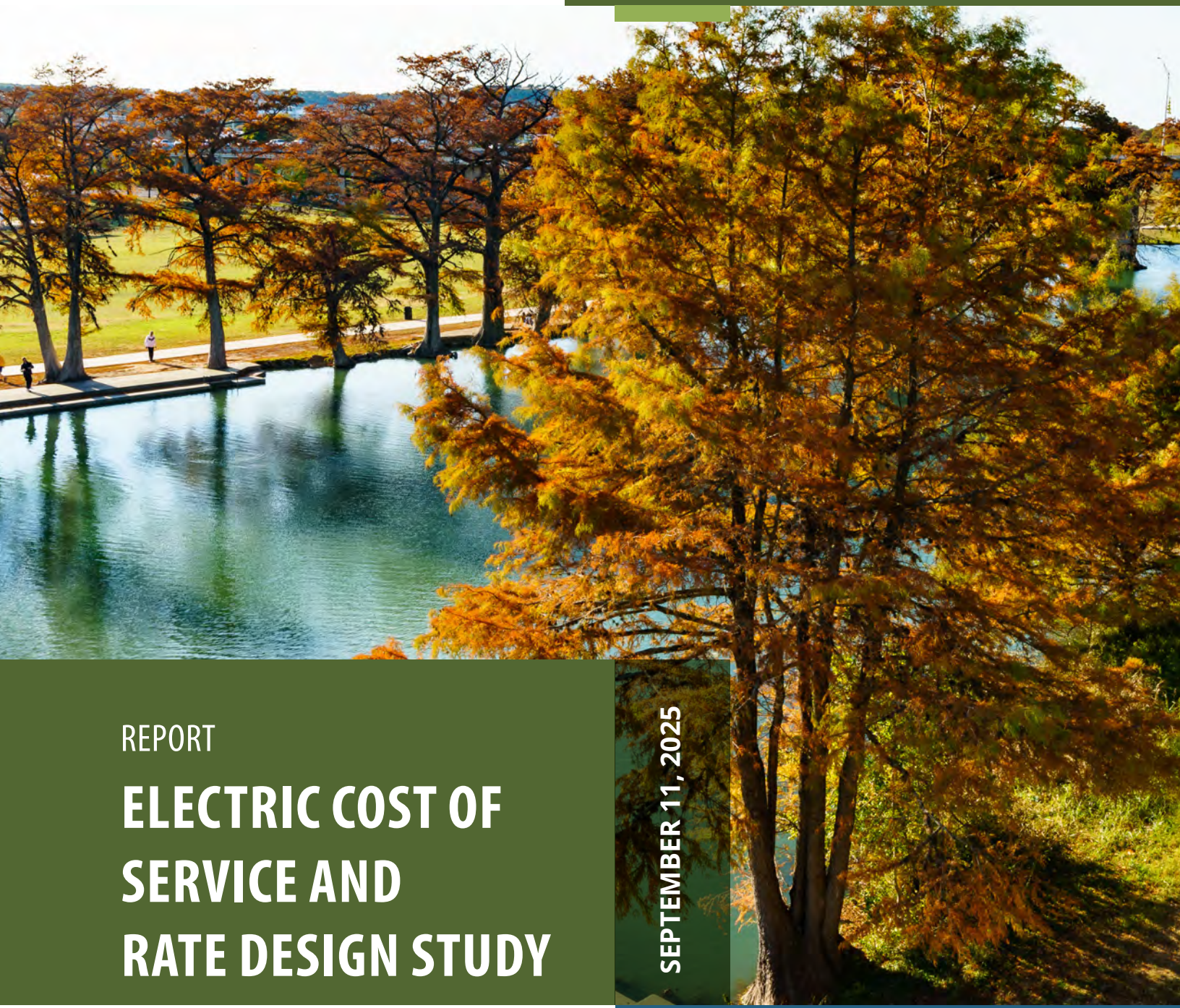

REPORT

ELECTRIC COST OF SERVICE AND RATE DESIGN STUDY

SEPTEMBER 11, 2025

Prepared for:
Kerrville Public Utility Board
2250 Memorial Blvd.
Kerrville, Texas 78028

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EXECUTIVE SUMMARY

Introduction

Kerrville Public Utility Board (KPUB) is a municipally owned electric utility that proudly serves the City of Kerrville, Texas (City) and the surrounding area. Since its establishment in 1987, KPUB has been dedicated to being a responsive and efficient, locally owned provider of safe and reliable utility service at the lowest responsible price.

Cost of Service Study

In this Electric Cost of Service (COS) and Rate Design Study (Study), KPUB examined the costs associated with operating, maintaining, and enhancing its electric utility system. This effort was intended to ensure electric service rates remain fair, equitable, and sufficient to support the utility's ongoing financial sustainability and infrastructure planning. KPUB engaged NewGen Strategies and Solutions, LLC (NewGen) to complete this Study.

The primary goals of the Study were to determine the annual Revenue Requirement needed to operate the electric utility, to evaluate the cost of serving different customer classes, and to develop electric rate structures that support KPUB's mission while meeting legal and policy obligations. The analysis supported rate strategies that promote operational resiliency, financial stability, and equitable cost recovery while maintaining customer acceptance and minimizing administrative burdens.

This Study utilized a "Test Year" approach, beginning with KPUB's Fiscal Year (FY) 2025 budget, and developed rate strategies over a five-year horizon. The objective was to implement rates that allowed for gradual adjustments, where needed, while supporting new generation assets and evolving power supply cost dynamics. The Five-Year Rate Plan (Rate Plan or Plan) developed through this Study serves as a roadmap for KPUB's rate implementation from FY 2026 through FY 2030, facilitating informed decision making for both the KPUB Board and its customers.

Rate Design Objectives/Rate Making Principles

The Study was intended to result in a comprehensive set of proposed rates that define how the utility recovers its Revenue Requirement from each customer class. These rates and charges were designed to ensure that the total revenue needed to operate and maintain the electric system was recovered in an equitable, efficient, and transparent manner, informed by the results of the COS analysis.

Rate design for KPUB considered the utility's existing rate structures, historical practices, and financial goals while also supporting its core values as a community-owned, not-for-profit electric provider. The Study considered KPUB's desire for revenue stability across customer classes, the flexibility to respond to evolving energy demands, and competitiveness with surrounding utility rates. In addition, the process incorporated policy directives from the KPUB Board and the City, where applicable; legal and regulatory requirements (including those related to power cost recovery); and the desire to minimize customer confusion and administrative burden.

Summary of Revenue Needs

The required revenue for KPUB for each year of the Rate Plan is provided in Table ES-1. Additionally, Table ES-1 includes a comparison of the total revenues generated by existing rates (current as of 2025) for the system. The differences between these two values represent the necessary rate adjustments for KPUB to continue providing safe and reliable power to its customers; there is a cumulative shortfall of approximately $73 million under current rates.

Table ES-1
Revenue Requirement and Revenue for Study Period ($000)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Total
Revenue Requirement	$ 58,803	$ 63,093	$ 65,041	$ 67,702	$ 71,006	$ 325,645
Revenue from Customers[1]	49,486	49,976	50,471	50,971	51,475	252,379
Difference[2]	($ 9,317)	($ 13,116)	($ 14,570)	($ 16,731)	($ 19,531)	($ 73,265)

(1) Utilizing existing 2025 rates.

(2) Totals may not add due to rounding.

The Revenue Requirement represents the total annual revenue that KPUB anticipates needing and includes its projections for power production and purchases; ongoing operations and maintenance (O&M) expenses across all of its functions; and projections for debt service, capital funded from cash, and franchise fees. The revenue needed is offset by other miscellaneous revenues, which include other operating revenues, revenues from merchandising, jobbing and contract work, and other non-operating revenue. A summary of the Revenue Requirement for the five-year forecast is provided in Table ES-2.

Table ES-2
Revenue Requirement by Function ($000)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
O&M by Function					
Production	$ 29,206	$ 32,287	$ 32,895	$ 34,220	$ 36,097
Transmission	8,138	8,789	9,492	10,252	11,072
Distribution	5,175	5,367	5,562	5,766	5,978
Customer	1,595	1,654	1,714	1,777	1,842
Administrative and General	6,684	6,932	7,185	7,448	7,721
Total O&M	$ 50,798	$ 55,029	$ 56,850	$ 59,462	$ 62,709
Capital from Cash	6,425	6,375	6,462	6,450	6,427
Debt Service	531	531	531	531	531
Franchise Fees	1,775	1,901	1,960	2,038	2,136
(Less) Other Operating Revenues	(685)	(702)	(717)	(733)	(749)
(Less) Revenues from Contract Work	(37)	(38)	(40)	(42)	(44)
(Less) Misc. Non-Operating Income	(4)	(4)	(4)	(4)	(4)
Net Revenue Requirement[1]	$ 58,803	$ 63,093	$ 65,041	$ 67,702	$ 71,006

(1) Numbers may not add due to rounding.

As is typical with most utilities, the production function (generation or purchasing) of electricity is the largest functional element. The debt service listed in Table ES-2 includes only the existing KPUB debt (and does not include the recently issued debt related to the generation investment, which is included within the Production function O&M). The Revenue Requirement offset (reduction) from other revenues, included in Table ES-2, primarily consists of other operating revenues, revenues from contract work, and miscellaneous non-operating income.

Capital Improvement Plan

The Revenue Requirement includes KPUB's levelized five-year CIP. The levelized plan amounts to approximately $6.4 million per year, which will be funded by cash from rates.

Cost of Service Process

The COS process is an industry-accepted framework that assigns costs to customer classes. This process determines the "cost to serve" each customer class within a utility. Electric utility costs are typically characterized as either fixed or variable; fixed costs are those that do not change with the production of electricity, whereas variable costs are directly related to the amount of electricity produced and/or purchased. Costs are typically further categorized as demand-based, customer-based, or energy-based.

Demand-Based Costs

Demand-based costs for electric utilities are fixed costs that are related to the existing and future investments made to produce, transmit, and deliver power from the generation resources to customers. For KPUB, these costs include debt service on the new generation investment, transmission of electricity by others in Electric Reliability Council of Texas (ERCOT), and most distribution O&M expenses. The labor and materials associated with the O&M and administration of these systems are also demand-based costs as the labor costs are typically fixed in the short-term (budget cycle). In the short-term, fixed costs do not change; the fixed costs represent the ongoing costs to meet the needs of the utility. Fixed costs are allocated primarily to demand in the COS process because they are designed to support the system as a whole. This means that as a result of the COS process, these costs are assigned based on the electric demand (measured in kilowatts [kW]) that a specific customer or customer class places on the system.

Customer-Based Costs

Customer-based costs for electric utilities are fixed costs; these are costs incurred in direct support of the customers served by a utility. For KPUB, this includes the costs associated with the labor, equipment, and investments for customer accounting, billing, and customer assistance. Additionally, a portion of administrative and general (A&G) costs are allocated to the customer-related costs as they are designed to support this function for KPUB. During the COS process, these costs are allocated by the weighted number of customers within a class.

Energy-Based Costs

Energy-based costs for electric utilities are typically variable costs that change with the changes in electric load. The primary examples of energy-related costs for KPUB are its fuel and purchased power costs. During the COS process, these costs are allocated to the customer classes by the amount of energy they are projected to utilize during the Test Year.

Existing Rate Structures and Fixed Cost Recovery

KPUB's existing rate structures vary by the customer class for which they are designed. All major customer classes include a power supply charge ($/kilowatt-hour [kWh]), a distribution energy component ($/kWh), and a Customer or Facility Charge ($/customer-month), as well as a Power Cost Adjustment Factor (PCAF) that is billed on a $/kWh basis. Some customer classes include a distribution demand component ($/kW). Residential customers and smaller customers in the Commercial Service customer class do not have a demand charge on their bill; instead, the fixed costs associated with demand-related infrastructure are recovered through the customer charge, power supply charge, and distribution energy charge. The larger customers in the Commercial Service customer class as well as all of the customers in the Large Commercial customer class include a distribution demand charge in their rate structures.

All customers, including Residential customers, place a demand on the system through their use of electricity (electric load). The peak electric load (the highest electricity usage during one hour of the month) is referred to as the peak demand of that customer. Demand is measured in kW and, in terms of how it is billed, it represents a customer's peak usage during a billing period. Currently, only Large Commercial customers and Commercial Service customers who consume more than 2,500 kWh per month are billed directly for demand. Residential customers and Commercial Service customers who consume less than 2,500 kWh per month are not billed based on demand.

The results of this Study for Residential customers are shown in Table ES-3. However, some fixed costs have been converted into a cost per kWh for presentation in the table, as there is no plan to assess Residential customers a demand rate. For the Residential class, the customer-based costs to serve each customer equal $7.50 per month; however, KPUB's existing rate structure includes a charge of $15.25 per month as it is capturing other fixed costs that would otherwise be collected in the energy charges. Sufficient fixed cost recovery is an important factor in ensuring the financial stability of the utility.

Table ES-3
Residential Rates

Rate Component[1]	Current	COS
Customer Charge ($/month)	$15.25	$7.50
Distribution Charges		
Energy ($/kWh)	$0.01680	$0.03670
Demand ($/kW)	N/A	N/A
Power Supply Charge ($/kWh)	$0.04060	$0.04543

(1) PCAF determined by KPUB is applied to all customer classes but is not included in this table.

Figure ES-1 provides a summary of the fixed and variable cost recovery for the KPUB system. Fixed cost recovery includes revenue from the customer charge and demand charges. Variable cost recovery includes revenue from the distribution energy charge, power supply charge, and PCAF. As shown in the figure, the cost of service is predominantly fixed in nature. Thus, the utility is relying on energy (variable) charges to recover fixed costs. This is not uncommon in the industry, but should be understood as a financial risk to the utility. If energy consumption decreases due to weather or energy efficiency investments (or any other reason), the utility will be faced with decreasing revenues without corresponding decreases in many of its costs.

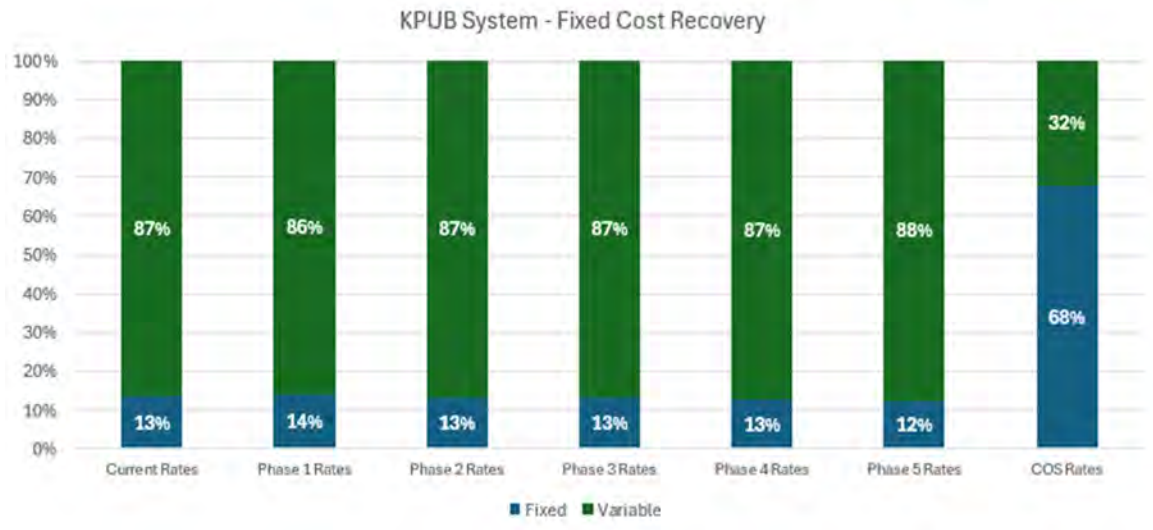

Figure ES-1. Fixed and Variable Cost Recovery for KPUB System

Summary of Proposed Rates

Actual rate increases will vary by customer class and consumption levels, but, on average, the projected rate increases will result in annualized compounded system revenue increases to meet future Revenue

Requirements. The proposed rates are needed because KPUB faces an income shortfall of approximately $73 million if rates are not increased.

Tables ES-4 through ES-8 provide a summary of the proposed rates by customer class.

It should be noted that KPUB currently has a Commercial Service customer class that has some customers charged demand charges and some customers not charged demand charges. Customers who consume more than 2,500 kWh per month are billed for demand. NewGen has separated this one customer class into two customer classes for the Study. Customers with demands equal to or greater than 25 kW are included in a class called Medium Commercial. Customers with demands less than 25 kW are included in a class called Small Commercial.

Note: The PCAF is not shown in the following tables as this rate will be adjusted periodically based on the cost of purchased power.

Table ES-4
Existing and Proposed Rates – Residential Customers

Rate Component(1)	Existing	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Customer Charge ($/month)	$15.25	$16.75	$16.75	$16.75	$16.75	$16.75
Distribution Charges						
Energy ($/kWh)	$0.01680	$0.02088	$0.02496	$0.02905	$0.03314	$0.03723
Demand ($/kW)	N/A	N/A	N/A	N/A	N/A	N/A
Power Supply Charge ($/kWh)	$0.04060	$0.04543	$0.04543	$0.04543	$0.04543	$0.04543

(1) PCAF is charged to all classes but not shown in this table.

Table ES-5
Existing and Proposed Rates – Small Commercial Customers

Rate Component(1)	Existing	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Customer Charge ($/month)	$31.50	$33.00	$33.00	$33.00	$33.00	$33.00
Distribution Charges						
Energy ($/kWh)	$0.01873	$0.02112	$0.02351	$0.02590	$0.02829	$0.03068
Demand ($/kW)(2)	N/A(2)	N/A	N/A	N/A	N/A	N/A
Power Supply Charge ($/kWh)	$0.04228	$0.04443	$0.04443	$0.04443	$0.04443	$0.04443

(1) PCAF is charged to all classes but not shown in this table.

(2) Existing Commercial Service customers are billed a demand charge if using greater than 2,500 kWh per month.

Table ES-6
Existing and Proposed Rates – Medium Commercial Customers

Rate Component[1]	Existing	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Customer Charge ($/month)	$31.50	$33.00	$33.00	$33.00	$33.00	$33.00
Distribution Charges						
Energy ($/kWh)	$0.01523	$0.01672	$0.01821	$0.01969	$0.02117	$0.02265
Demand ($/kW)	$1.00	$1.50	$2.00	$2.50	$3.00	$3.50
Power Supply Charge ($/kWh)	$0.04228	$0.04443	$0.04443	$0.04443	$0.04443	$0.04443

(1) PCAF is charged to all classes but not shown in this table.

Table ES-7
Existing and Proposed Rates – Large Commercial Primary Customers

Rate Component[1]	Existing	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Customer Charge ($/month)	$230.00	$275.00	$275.00	$275.00	$275.00	$275.00
Distribution Charges						
Energy ($/kWh)	$0.00287	$0.00501	$0.00715	$0.00929	$0.01143	$0.01357
Demand ($/kW)	$7.50	$8.00	$8.50	$9.00	$9.50	$10.00
Power Supply Charge ($/kWh)	$0.03030	$0.03493	$0.03493	$0.03493	$0.03493	$0.03493

(1) PCAF is charged to all classes but not shown in this table.

Table ES-8
Existing and Proposed Rates – Large Commercial Secondary Customers

Rate Component[1]	Existing	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Customer Charge ($/month)	$230.00	$275.00	$275.00	$275.00	$275.00	$275.00
Distribution Charges						
Energy ($/kWh)	$0.00220	$0.00580	$0.00940	$0.01300	$0.01660	$0.02020
Demand ($/kW)	$7.50	$8.00	$8.50	$9.00	$9.50	$10.00
Power Supply Charge ($/kWh)	$0.03351	$0.03643	$0.03643	$0.03643	$0.03643	$0.03643

(1) PCAF is charged to all classes but not shown in this table.

Further discussion of the proposed rates is provided in Section 6 of this Report. The proposed rates are designed to fully recover KPUB's Revenue Requirement, on average, over the Study period.

Section 1
INTRODUCTION

Kerrville Public Utility Board (KPUB) is a municipally owned electric utility serving the City of Kerrville, Texas (City) and the surrounding area. Since its establishment in 1987, KPUB has provided safe, reliable, and affordable electric service to its residential, commercial, and industrial customers. As a locally controlled, not-for-profit utility, KPUB is committed to delivering high-quality service while supporting community well-being and long-term economic sustainability.

This Electric Cost of Service (COS) and Rate Design Study (Study) is a key component in ensuring the financial sustainability of the utility. The Study was completed to ensure that KPUB's retail electric rates align with the cost to serve each customer class, provide stable and predictable revenues, and reflect best practices in ratemaking. In addition, this Study supported KPUB's ongoing evaluation of rate modernization opportunities, such as demand rate design improvements and updated commercial rate classes, all while maintaining the simplicity and transparency that KPUB's customers expect. KPUB engaged NewGen Strategies and Solutions, LLC (NewGen) to complete this Study.

The financial planning underlying this Study also considered KPUB's recent investments and strategic initiatives. These included the development of a generation plant owned by a Public Facility Corporation (PFC), with KPUB purchasing the majority of the capacity through a power purchase agreement. Planning for the financial impact of this facility, as well as future rate stabilization mechanisms, is key to ensuring long-term affordability.

This Study provided a detailed framework for determining KPUB's annual Revenue Requirement and allocating those costs among customer classes. It also evaluated alternative rate designs suited to KPUB's unique operational, policy, and community goals. By analyzing these elements through a COS approach, the Study resulted in the development of a Five-Year Rate Plan (Rate Plan or Plan) to support sound decision making and financial sustainability for the utility. NewGen completed this Study following the detailed framework below:

1. **Establish the Revenue Requirement:** First, we determined the total revenues the utility must collect over a specified period of time to serve its customers, maintain its debt service obligations, invest in its system, and provide additional funds required by reserve policies, as appropriate. The period of time covered by the Revenue Requirement (as well as the rates) was defined as the Test Year.
2. **Complete Functional Unbundling:** An electric utility can be thought of as four major business units or functions. Functional Unbundling divides the Revenue Requirement into these business units by examining the underlying costs and why they are incurred. These functions include:
    a. Production
    b. Transmission
    c. Distribution
    d. Customer service
3. **Classify Costs within Functional Area:** Costs were classified based on their underlying nature, or what is driving each cost category, within each functional area. Classes of costs include system demand,

energy consumption, the number of customers being serviced, or costs that are directly attributed (or allocated) to a specific class or customer.

4. **Allocate Costs across Customer Classes:** Based on the customer usage characteristics of the system, NewGen allocated the classified costs to customer classes and determined the COS for the classes.
5. **Design Rates:** Rate design was based on a combination of analysis of the customer class Revenue Requirements (the allocated share of the system costs) and policy decisions.

Schedule

The retail electric rates developed through this Study will be presented conceptually to the KPUB Board and, where applicable, to the Kerrville City Council and relevant community stakeholders for review and feedback. In accordance with KPUB's governance structure, residential rate changes will require final approval by the City Council following KPUB Board recommendation while non-residential rates may be approved solely by the Board.

For the purposes of this Report, NewGen assumed that the proposed series of rate changes will take effect at the beginning of October in each year. Draft rates were completed in June 2025 to support the utility's budget development process and to allow for necessary review, approval, and communication efforts prior to implementation.

KPUB Five-Year Rate Plan

The retail rates proposed in this Study include a Five-Year Rate Plan designed to meet KPUB's financial, operational, and policy objectives through a structured and sustainable implementation of rate adjustments. The Rate Plan period is expected to begin in Fiscal Year (FY) 2026 and extend through FY 2030. This comprehensive, forward-looking plan aims to ensure that KPUB can meet its overall Revenue Requirement while maintaining stability, fairness, and alignment with strategic goals.

The Rate Plan is intended to function as a complete package. Implementing only portions of the plan may prevent KPUB from achieving its long-term objectives, particularly those related to capital investment recovery, customer rate equity, and the financial sustainability of the utility. Proposed rates for KPUB's primary customer classes are detailed within this report. Included in the Study was the segregation of the Commercial Service customer class. Customers in this class that consume more than 2,500 kWh per month are charged demand charges and the rest are not. NewGen has separated this one customer class into two customer classes for the Study. Customers with demands equal to or greater than 25 kW are included in a class called Medium Commercial. Customers with demands less than 25 kW are included in a class called Small Commercial. This provides for more equitable, and appropriate, rate designs for these two groups of customers.

The proposed rates are structured to recover KPUB's overall Revenue Requirement over the five-year planning horizon. This includes anticipated investments in power supply, infrastructure improvements, and operating expenses. The Plan is responsive to the utility's sensitivity to customer affordability and is designed to gradually adjust rates over time, avoiding sudden or disruptive increases in any single year.

The Plan also includes targeted adjustments to fixed cost recovery components, such as customer charges, within each customer class—aiming to improve revenue stability. These changes are progressively introduced to support customer acceptance and allow for operational adjustments.

KPUB Financial Projections

NewGen developed the Revenue Requirement for each of the five years of the Study period as shown in Table 1-1. Additionally, Table 1-1 includes a comparison of the total revenues generated by rates effective on November 1, 2024, for the system. The differences between these two values represent the necessary rate adjustments for KPUB to fund investments, pay operations and maintenance (O&M) costs, and achieve financial policies.

Table 1-1
Revenue Requirement and Revenue for Study Period ($000)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Total
Revenue Requirement	$ 58,803	$ 63,093	$ 65,041	$ 67,702	$ 71,006	$ 325,645
Revenue from Customers[1]	49,486	49,976	50,471	50,971	51,475	252,379
Difference[2]	($ 9,317)	($ 13,116)	($ 14,570)	($ 16,731)	($ 19,531)	($ 73,265)

(1) Utilizing existing 2025 rates.

(2) Totals may not add due to rounding.

KPUB Study Test Year

The Test Year for this Study represents the average of the five-year period beginning in Fiscal Year (FY) 2026 and ending in FY 2030. KPUB's Fiscal Year (FY) runs from October 1 through September 30, and, unless otherwise specified, all references in this Report refer to fiscal years. The Test Year framework is used to generate representative average values over the planning horizon, typically centering around the midpoint of the five-year period. However, due to anticipated shifts in customer demand, the actual midpoint may not necessarily align with median values for every revenue or cost component.

The Rate Plan includes a structured series of proposed rate changes and is intended to be evaluated and adopted as a comprehensive package. Reviewing the entirety of the Rate Plan, rather than on a year-by-year basis, is critical to achieving KPUB's long-term financial and policy objectives—including recovery of system costs, enhancement of rate equity, and alignment with infrastructure investment timelines.

KPUB provides electric service to a range of customer classes. In addition, within these customer classes KPUB serves specific public and institutional accounts, such as a locally controlled non-profit hospital and municipal facilities. A summary of the current rate classes, their associated revenues, and the allocation of the Test Year Revenue Requirement is presented in Table 1-2.

Table 1-2
Existing Test Year Rate Revenues vs. Test Year Revenue Requirement
($000)

Rate Class	Test Year Existing Rate Revenues[1]	Test Year Revenue Requirement	Difference
Residential Service (RS)	$ 28,857	$ 37,824	$ 8,967
Commercial Service (CS)	16,463	20,202	3,739
Large Commercial-Primary (LCS-P)	967	1,417	450
Large Commercial-Secondary (LCS-S)	3,689	5,357	1,668
Lighting[2]	501	330	(171)
Total[3]	$ 50,476	$ 65,129	$ 14,653

(1) Based on existing rates and Test Year (five-year average billing determinants).
(2) Street Lighting includes Outdoor Area Lighting and Street Lighting.
(3) Totals may not add due to rounding.

The value of the difference between the total Test Year Existing Rate Revenue and the Test Year Revenue Requirement represents an "average" year (based on the Test Year concept, as discussed). During the course of the Rate Plan, it is expected that some customers' load (sales) will increase, as discussed in Section 2. Therefore, the average revenue difference for the Test Year will equal the shortfall identified in Table 1-2 when applied to the changes in customer usage characteristics.

Test Year/Audited Year

As noted, the Test Year for this Study represents the average of the five-year period beginning in FY 2026 and ending in FY 2030 based on projections from KPUB's internal financial planning efforts and budget assumptions. Starting from the FY 2025 Budget, known and measurable adjustments were applied and then a five-year forecast was developed to reflect expected changes in operating costs, capital expenditures, and system growth. In addition, FY 2024 energy usage and billing data was used to analyze customer load profiles and to estimate class revenues under existing rates. These usage statistics and projected revenues were based on current rate schedules in effect as of the start of FY 2025.

Report Outline

The remaining sections of this Report provide a summary of the system and customer class characteristics (Section 2), KPUB's Revenue Requirement (Section 3), the methods utilized for the cost allocation process (Section 4), the results of the cost allocation (Section 5), and the proposed rate design (Section 6).

Section 2
SYSTEM CHARACTERISTICS

Introduction

KPUB operates as a municipally owned electric utility serving approximately 24,400 customers within a 146 square mile service area in Kerr County, Texas. KPUB is the exclusive electric service provider within its jurisdiction, functioning under the oversight of a five-member Board of Trustees. While KPUB does not currently own generation assets, it is responsible for procuring power through contracts and managing the reliable delivery of electric service through its distribution system and customer service operations.

KPUB's power supply portfolio is diversified across several long-term power purchase agreements, including contracts with CPS Energy, NextEra, the City of Garland (wind projects), Engie, and Concho Bluff (solar projects), as well as a community solar initiative through DG Southwest Solar. These agreements provide a mix of base load, wind, and solar generation resources. Additionally, KPUB has recently created a PFC to support the development of a 122 megawatt (MW) Reciprocating Internal Combustion Engine (RICE)-based peaking generation facility, which is expected to come online in 2027.

The utility maintains well-established infrastructure that includes fully deployed Advanced Metering Infrastructure (AMI) across its customer base. The electric system comprises both overhead and underground distribution lines, a number of substations, and a fully integrated meter data management system metering equipment. KPUB has leveraged these assets to enhance operational efficiency, improve outage response, and support demand-side management programs.

Distribution system reliability and modernization are top priorities for KPUB. The system includes ongoing investments in infrastructure improvements and modernization efforts aimed at enhancing reliability, resilience, and overall service quality. KPUB's operational structure is designed to respond proactively to emerging challenges, including large-scale electric vehicle (EV) charging infrastructure, distributed generation, and the integration of a new generation asset into the Electric Reliability Council of Texas (ERCOT) competitive market.

Demand and Energy Requirements

For the fiscal year ending September 30, 2024, KPUB served a total of 24,387 customers, reflecting continued steady growth in its service area. During this period, KPUB recorded a system peak demand of 172.8 MW, which occurred in January 2024. This represents a modest increase from the prior year's peak of 170.9 MW. Total energy requirements for FY 2024 amounted to 510.9 megawatt-hours (MWh) of electricity delivered to retail customers. This total includes all energy sold across customer classes and accounts for energy losses and company use. Projections for the Test Year (FY 2026–2030) and subsequent years anticipate continued modest growth in both customer count and energy demand, consistent with local economic and population trends. Peak demand is expected to increase gradually, particularly with the anticipated addition of large commercial and EV charging loads discussed in KPUB's planning sessions. While weather normalization adjustments are common in forecasting, KPUB's planning approach currently bases forecasts on historical trends and anticipated system additions. Forecasted system characteristics are summarized in Table 2-1.

Table 2-1
System Usage Characteristics

	FY Ending						
	2024	2025	2026	2027	2028	2029	2030
Total Meters	23,933	24,173	24,587	24,833	25,081	25,332	25,585
Total Energy (MWh)(1)	512,138	512,138	512,138	517,248	522,408	527,620	532,884
Total Demand (MW)	661	668	674	681	688	695	702

(1) Energy and Demand projections for 2025–2030 represent expected retail sales/usage. 2024 represents actual Energy and Demand for FY 2024 (ending September 2024) based on KPUB's billing database.

Demand

Demand is a measurement of energy for a short period of time, typically an hour or a 15-minute interval. Demand is measured in kW or in thousands of kW (1,000 kW) which are reported as MW. A utility must be able to meet the demands of its systems, which represent the total demands of its customers at any given time. To meet these demands, utilities will typically invest in generation facilities that are appropriately sized to meet the peak demand or purchase demand (in the form of capacity contracts) from the power market. Utilities must plan and invest for the system peak capacity, which may go unused during periods of low electrical use. For KPUB, the system typically reaches its peak demand during the winter months, which is unusual in ERCOT (where most systems are summer peaking). KPUB's winter peak is likely related to the absence of natural gas pipelines in the area, which result in the prevalence of electric heating. The Residential customer class, which represents more than half of the system's energy use, is the primary driver of KPUB's system peak demand from a cost causation standpoint.

The peak demand is often referred to as the Coincident Peak (CP) because it is the amount of total load from all customers collectively at the same time (coincident with each other). The 12 Coincident Peak (12CP) allocator refers to the total electric demand recorded during the 12 monthly system peak hours. 12CP is an important tool utilized in allocating costs for a COS Study and is further discussed in Section 4 of this report.

Energy Sales

Energy is the demand that is measured over hourly increments and is measured in kWh. Energy is the product (and service) that most people associate with purchasing from their electric utility. A utility must provide energy to its customers in a reliable, continuous, and safe fashion. Notwithstanding new battery offerings, energy is primarily instantaneously used, meaning that it cannot be effectively stored in large amounts for later use. A utility will use the installed investment in generation (capacity) to produce energy, typically by burning a fossil fuel (e.g., gas or coal) or with renewable resources (e.g., solar or wind). Alternatively, a utility may purchase energy in the power market to meet its customers' load. In ERCOT, all energy produced is sold into the wholesale market and all energy is purchased from the wholesale market. Thus, load serving entities no longer generate to serve their own load. However, ownership of generation or purchase power contracts act as a financial hedge against wholesale market prices.

Figure 2-1 provides a representation of the total energy used by KPUB's customer classes for FY 2024 based on analysis of its billing database for that period.

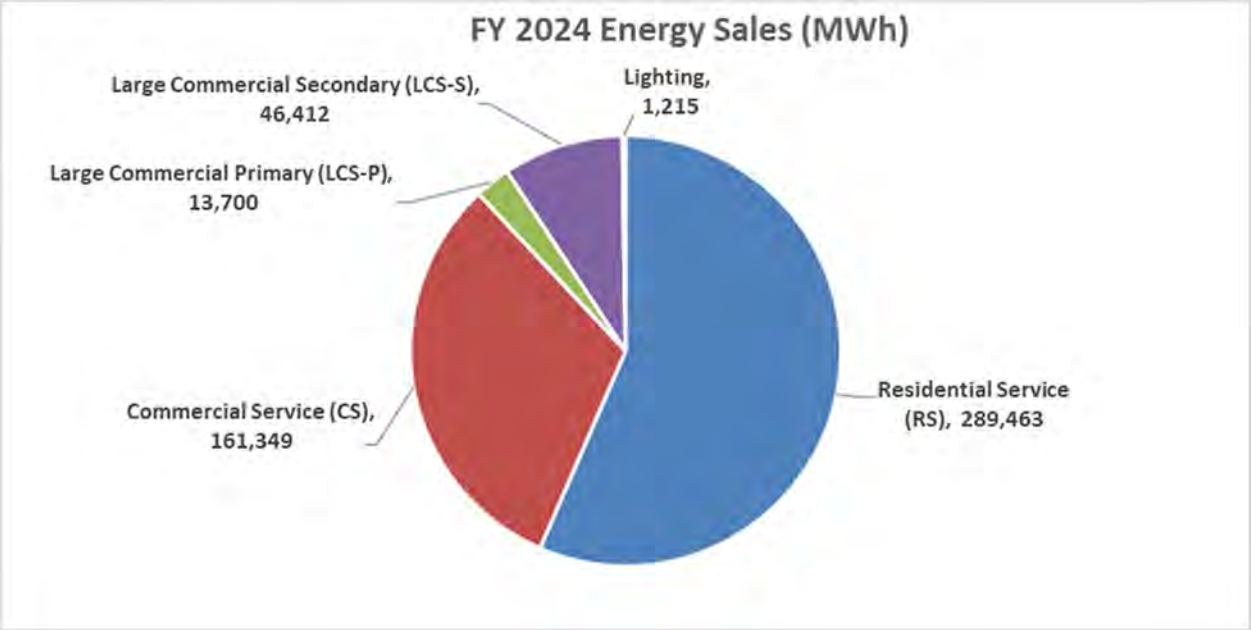

Figure 2-1. Total Energy Consumption by Customer Class for FY 2024 (MWh)

Historical and projected energy sales by customer class are provided in Table 2-2.

Table 2-2
Historical and Projected Energy Sales (MWh)

	FY Ending						
	2024	2025	2026	2027	2028	2029	2030
Residential Service (RS)	289,463	289,463	289,463	292,357	295,281	298,234	301,216
Commercial Service (CS)	161,349	161,349	161,349	162,963	164,592	166,238	167,901
Large Commercial-Primary (LCS-P)	13,700	13,700	13,700	13,836	13,975	14,115	14,256
Large Commercial-Secondary (LCS-S)	46,412	46,412	46,412	46,876	47,345	47,818	48,296
Lighting	1,215	1,215	1,215	1,215	1,215	1,215	1,215
Total System(1)	512,138	512,138	512,138	517,248	522,408	527,620	532,884

(1) Total system sales exclude losses. Totals may not add due to rounding.

Average Number of Meters by Customer Class

Table 2-3 presents the average number of meters by customer class for FY 2024 and projected through FY 2030.

Table 2-3
Historical and Projected Meters by Class

	FY Ending						
	2024	2025	2026	2027	2028	2029	2030
Residential Service (RS)	19,937	20,136	20,510	20,715	20,922	21,132	21,343
Commercial Service (CS)	3,974	4,013	4,053	4,094	4,135	4,176	4,218
Large Commercial-Primary (LCS-P)	3	3	3	3	3	3	3
Large Commercial-Secondary (LCS-S)	20	20	20	20	21	21	21
Lighting(1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total System(2,3)	23,933	24,173	24,587	24,833	25,081	25,332	25,585

(1) Lighting is not included because many of the billed devices are unmetered. In FY 2024 there was a total of 3,627 unique devices.

(2) Projected meters are the average monthly projected meters for each FY.

(3) Totals may not add due to rounding.

Customer Statistics

Meter statistics by rate class for FY 2024 are provided in Table 2-4. As shown, the majority of the customers served by KPUB are in the Residential rate class, which also accounts for the largest share of total annual energy sales.

Table 2-4
Actual Customer Usage Statistics for FY 2024

	FY Ending 2024			
	Number of Meters	Percentage of Total	Annual Sales (MWh)	Percentage of Total
Residential Service (RS)	19,937	83.30%	289,463	56.52%
Commercial Service (CS)	3,974	16.60%	161,349	31.51%
Large Commercial-Primary (LCS-P)	3	0.01%	13,700	2.67%
Large Commercial-Secondary (LCS-S)	20	0.08%	46,412	9.06%
Lighting(1)	N/A	N/A	1,215	0.24%
Total System(2)	23,933		512,138	

(1) Lighting is not included because many of the billed devices are unmetered. In FY 2024 there was a total of 3,627 unique devices.

(2) Totals may not add due to rounding. Based on analysis of KPUB billing database for 2024.

Fixed/Variable Costs and Cost Recovery

The revenues generated from retail sales under KPUB's existing rates for FY 2025 are estimated to be approximately 13% fixed (which includes the customer charge and demand charges, as applicable) and 87% variable, which includes the distribution energy charge, power supply charge, and Power Cost Adjustment Factor (PCAF). Figure 2-2 provides a depiction of the mix between the fixed and variable nature of the system's costs (on the right) and the current revenues for FY 2025 (on the left).

As shown in the figure, the cost of service is predominantly fixed in nature. Thus, the utility is relying on energy (variable) charges to recover fixed costs. This is not uncommon in the industry, but should be understood as a financial risk to the utility. If energy consumption decreases due to weather or energy efficiency investments (or any other reason), the utility will be faced with decreasing revenues without corresponding decreases in many of its costs.

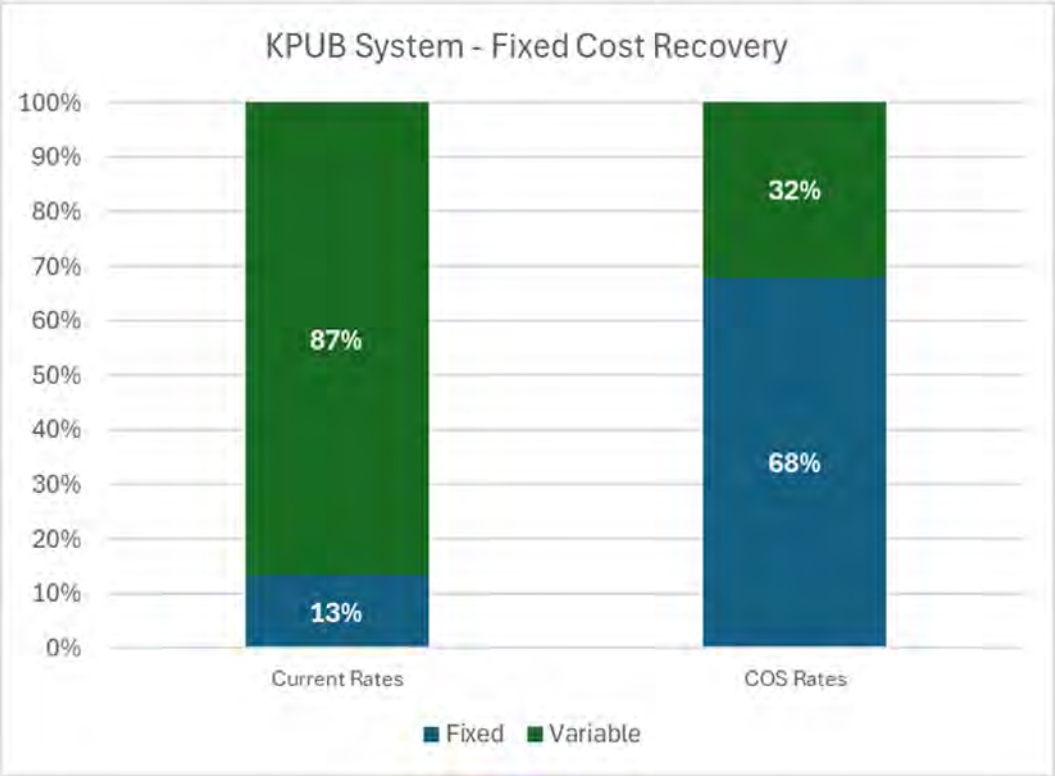

Figure 2-2. Structure of System (COS) Costs vs. Current Revenues

Section 3
REVENUE REQUIREMENT

Summary

The Revenue Requirement refers to the amount of rate-related revenue that a utility is projected to need during the Study period. As indicated earlier, for the purposes of this Study, KPUB utilized a Test Year that represents the average of the five-year period beginning in FY 2026 and ending in FY 2030. KPUB's net Revenue Requirement for the Test Year is $65,128,962. This value is driven by the specific "known and measurable" changes to the FY 2025 Budget. Because the Test Year is a multiyear representation, this value represents the average annual revenue to be collected by KPUB's retail rates. For the purposes of rate design, provided in Section 6 of this report, revenues collected over the Study period are anticipated to vary by year.

A summary of the Test Year Revenue Requirement is provided in Table 3-1.

Table 3-1
Revenue Requirement by Function for Test Year ($000)

Function	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Test Year Value	Percentage of O&M
Production O&M	$ 29,206	$ 32,287	$ 32,895	$ 34,220	$ 36,097	$ 32,940	58%
Transmission O&M	8,138	8,789	9,492	10,252	11,072	9,549	17%
Distribution O&M	5,175	5,367	5,562	5,766	5,978	5,570	10%
Customer O&M	1,595	1,654	1,714	1,777	1,842	1,717	3%
A&G O&M	6,684	6,932	7,185	7,447	7,720	7,194	13%
Total O&M	$ 50,798	$ 55,029	$ 56,850	$ 59,462	$ 62,709	$ 56,970	
Capital from Cash	6,425	6,375	6,462	6,450	6,427	6,428	
Debt Service	531	531	531	531	531	531	
Franchise	1,775	1,901	1,960	2,038	2,136	1,962	
Contribution to Reserves	-	-	-	-	-	-	
Other Operating Revenues	(685)	(702)	(717)	(733)	(749)	(717)	
Revenues from Merchandising, Jobbing, and Contract Work	(37)	(38)	(40)	(42)	(44)	(40)	
Miscellaneous Non-Operating Income	(4)	(4)	(4)	(4)	(4)	(4)	
Net Revenue Requirement	$ 58,803	$ 63,093	$ 65,041	$ 67,702	$ 71,006	$ 65,129	

Note: Numbers may not add due to rounding.

As shown in Table 3-1 the Production function represents the largest share of KPUB's total O&M costs, accounting for approximately 58% of O&M expenses during the Test Year. This is followed by Transmission O&M (17%), Administrative and General (A&G) (13%), Distribution O&M (10%), and Customer O&M (3%).

In addition to O&M expenses, the Revenue Requirement includes several non-O&M costs such as debt service, which reflects principal and interest payments on existing debt. The Franchise line-item includes the 3% transfer to the City embedded in the base rates. Capital from cash denotes investments made directly from rate revenues to fund capital improvements. While no formal contributions to reserves are identified for the Test Year, KPUB expects to make contributions to a Rate Stabilization Fund based on revenues from the new generation project (once in operation).

The calculation of the Net Revenue Requirement also includes deductions for other sources of income, including operating revenues (such as late payment fees and pole rentals); revenues from merchandising, jobbing, and contract work; and other miscellaneous income streams. These items reduce the total amount of revenue that must be collected through base electric rates, ensuring that the Net Revenue Requirement reflects only the retail revenue necessary to fund utility operations and obligations.

Section 4
ALLOCATION OF SYSTEM COSTS

Functionalization and Classification

Allocating costs to a utility's customer classes is achieved through three major processes: 1) functionalization, 2) classification, and 3) allocation. The functionalization and classification of the Test Year Revenue Requirement are discussed in the first part of this section. The development of the allocation factors for the Test Year Revenue Requirement is discussed in the second part of this section.

Functionalization of Test Year Expenditures

Although budgeting and accounting systems generally follow functional groups (e.g., production, transmission, etc.), certain costs—such as A&G expenses—are not typically assigned by accounting and budgetary conventions to a major function. A COS study usually requires the rearrangement of certain expenditures into functional groups for a few reasons: 1) to be more representative of the expenditure causation, 2) to combine costs that have been incurred for a similar purpose, and 3) to facilitate the allocation of cost responsibility. Thus, the functionalization of certain costs is a ratemaking mechanism to apportion such costs to the common utility functions. Table 4-1 provides a categorization of the COS by function.

Table 4-1
Cost of Service by Function

Function	Test Year Value ($000)	Percent
Production	$ 34,079	52.3%
Transmission	9,549	14.7%
Distribution	18,226	28.0%
Customer	3,275	5.0%
Total(1)	$ 65,129	

(1) Numbers may not add due to rounding.

Classification of Various Costs

Electric utility costs are generally classified as either: 1) demand-related, 2) energy-related, 3) customer-related, 4) revenue-related, or 5) directly assigned.

Demand (fixed) costs are defined as expenses that are incurred to maintain a "readiness to serve"—an electric system capable of meeting the total combined demands of all customers at all hours, including peak demand. Demand costs are those that are generally fixed in the short-run, do not materially vary directly with the number of kWh generated or sold, and are not defined as customer costs. Demand costs include a portion of the O&M expenses, debt service, renewal and replacements (ongoing capital

improvements and investments), and other costs that are not defined as specifically customer or variable energy costs.

Energy (variable) costs are defined as those expenses that vary substantially or directly with the amount of energy sold (either generated or purchased), including such items as fuel and a portion of the O&M expenses for production facilities (known as variable O&M). However, not all energy procurement contracts are variable. Some contracts have provisions, such as "take or pay," that require the utility to pay for all energy under contract whether it is used or not.

Customer costs are defined as expenses directly related to the number, type, and size of customers, including customer accounting and bill collection, as well as the costs of meters and services. Also, a portion of the distribution investment and operating costs are classified as customer costs because the size and design of the distribution system is a function of both the number of customers and their load (demand).

Revenue-related costs refer to expenses that vary with the amount of revenue collected by the utility. While municipal utilities like KPUB are not subject to income taxes, they do incur revenue-related obligations—most notably the 3% transfer to the City, which is embedded in base rates. This transfer serves a similar role to taxes in investor-owned utilities.

Another important classification of costs is direct assignment. These costs are not allocated broadly across all customer classes but, instead, are assigned directly to specific classes or customers based on clear cost causation.

Development of Allocation Factors

General

This section discusses the development of the factors utilized to allocate the capacity-related, energy-related, customer-related, and other costs to the various KPUB customer classes. The aforementioned costs are allocated to customer classes based on each class's specific cost allocation factors developed for the various types of costs.

Demand Allocation Factors

Demand allocation refers to the basis on which capacity and other demand-related costs are distributed or assigned (allocated) among the various customer classes for the purposes of determining the revenues required from each class to recover such costs. The demand allocation factors, as developed and used herein, reflect the cost responsibility for each of the various customer classes in relation to the capacity- or demand-related costs to be allocated. The demand allocation factors were used to apportion the following capacity- or demand-related costs among the various customer classes:

- Debt service on new generation investments (production)
- Fixed transmission and distribution expenses

12 Coincident Peak

For this COS analysis, a 12 CP demand allocator was used to assign demand-related production costs across customer classes. The CP represents the total system demand occurring at the same time across all customers—essentially the moment when the system as a whole is experiencing its peak load. Using

CP allocators ensures that costs are distributed according to how much each customer class contributes to the system peak at those critical times.

The 12 CP methodology allocates costs based on each customer class's contribution to the system peak demand in each month of the year, providing a more balanced and seasonally representative view of system usage. This approach is particularly useful for allocating production-related demand costs as it reflects KPUB's year-round obligation to maintain sufficient generation and purchased capacity to meet peak demands.

To support this methodology, NewGen analyzed historical monthly demand data for each rate class. KPUB's fully deployed AMI allows for detailed tracking of customer load profiles, thereby enhancing the accuracy of the demand allocation. As such, the 12 CP allocator used in this Study reflects both the historical peak characteristics and the most current understanding of class-level demand impacts.

Results from the 12 CP demand cost allocation process are provided in Table 4-2.

Table 4-2
12 CP Cost Allocation

Customer Class	12 CP (MW)	Allocation (%)
Residential Service (RS)	815	61.3%
Commercial Service (CS)	397	29.8%
Large Commercial-Primary (LCS-P)	25	1.9%
Large Commercial-Secondary (LCS-S)	91	6.9%
Lighting	1	0.1%
Total System(1,2)	1,330	

(1) Based on Test Year projections.
(2) Numbers may not add due to rounding.

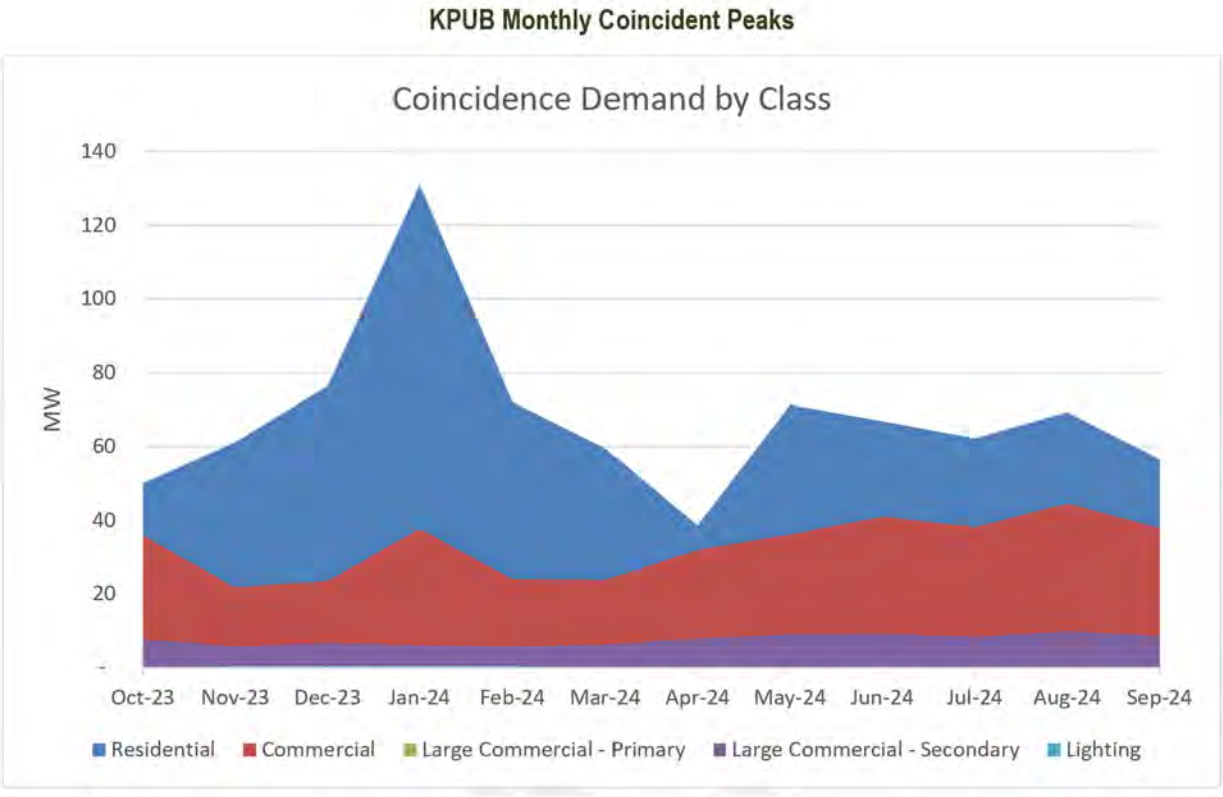

Figure 4-1. 12 CP Demand Cost Allocation

As shown in Figure 4-1, the peak demand months for KPUB occurred in December, January, and February. The peak demand was primarily driven by the increase in electricity usage by the Residential class. The large Residential spike in January 2024 was most likely due to a cold weather event– specifically, an unusually low temperature period that caused electric heating systems (such as heat pumps or resistance heaters) to run at full capacity across many homes.

ERCOT 4 Coincident Peak

In ERCOT, the cost of transmission by others is determined based on each load serving entity's contribution to the ERCOT 4 CP. This is based on demands in the months of June, July, August, and September. Thus, for allocation of transmission costs, each customer class's contribution to the ERCOT 4 CP was measured. Table 4-3 shows the ERCOT 4 CP for each customer class.

Table 4-3
ERCOT 4 CP Cost Allocation

Customer Class	ERCOT 4 CP (MW)	Allocation (%)
Residential Service (RS)	199	54.4%
Commercial Service (CS)	127	34.7%
Large Commercial-Primary (LCS-P)	9	2.4%
Large Commercial-Secondary (LCS-S)	31	8.4%
Lighting	0	0.0%
Total System[1,2]	365	

(1) Based on Test Year projections.
(2) Totals may not add due to rounding.

12 Non-Coincident Peak

The Non-Coincident Peak (NCP) demand allocation method is based on the principle that certain utility costs, particularly those related to distribution infrastructure, are driven by the individual peak demand of each customer class, regardless of whether those peaks occur simultaneously with the systemwide peak. This method recognizes that the sizing and design of distribution facilities must accommodate the maximum demand of each class, even if those peaks occur at different times.

For this Study, NewGen used a 12 NCP methodology to allocate distribution-related demand costs (except for distribution transformers, which were allocated based on sum of maximum demands). This approach captures each class's monthly peak demand over the course of a full year, providing a more comprehensive representation of how each class impacts the system's distribution requirements. The use of 12 monthly values helps smooth out seasonal fluctuations and supports a more accurate allocation of costs associated with substations, feeders, and other localized infrastructure. The results of the 12 NCP demand allocation are shown in Table 4-4.

Table 4-4
12 NCP Cost Allocation

Customer Class	12 NCP (MW)	Allocation (%)
Residential Service (RS)	1,007	63.4%
Commercial Service (CS)	445	28.0%
Large Commercial-Primary (LCS-P)	30	1.9%
Large Commercial-Secondary (LCS-S)	102	6.4%
Lighting	3	0.2%
Total System[1,2]	1,588	

(3) Based on Test Year projections.
(4) Totals may not add due to rounding.

Sum of Maximum Demands

The Sum of Maximum Demands (SMD) allocation method is based on the principle that certain utility costs, particularly those associated with localized distribution equipment, are driven by the combined maximum demands of all customer classes at the individual facility or asset level. This method captures the sum of each class's highest recorded demand over the study period, regardless of whether those peaks occur simultaneously or during different intervals. By summing these maximum demands, the method ensures that allocation of costs reflects the cumulative capacity that must be designed into localized infrastructure to reliably serve all customer classes.

For this Study, KPUB/NewGen uses the SMD methodology to allocate the costs of distribution transformers, recognizing that transformer capacity must be sufficient to serve the aggregated maximum demand of all connected classes. This approach ensures a direct link between the sizing of transformer equipment and the total load requirements experienced over time. Using the SMD method provides a more precise allocation for equipment with service areas or capacity constraints driven by aggregated customer demands. The results of the SMD allocation are shown in Table 4-5.

Table 4-5
SMD Cost Allocation

Customer Class	SMD (MW)	Allocation (%)
Residential Service (RS)	1,531	68.4%
Commercial Service (CS)	578	25.8%
Large Commercial-Primary (LCS-P)	26	1.2%
Large Commercial-Secondary (LCS-S)	99	4.4%
Lighting	3	0.1%
Total System[1,2]	2,237	

(5) Based on Test Year projections.

(6) Totals may not add due to rounding.

Energy Allocation Factors

Energy allocation factors are the basis for apportioning those costs or expenses classified as variable or energy related and assumed to vary directly with the level of kWh sales or generation. The costs classified herein as variable, or energy-related, are all purchased power costs other than transmission and the debt service on the new generation investment.

Total energy sales adjusted for estimated line losses, referred to as net energy for load (NEFL), is used to allocate energy-related costs (see Figure 4-2 and Table 4-6). NEFL can be thought of as the energy necessary at the substation to serve load. In Figure 4-2, the primary Y-axis (the blue bars) represents the allocated costs by major customer class in thousands of dollars. The secondary Y-axis (the red line) represents the total energy (in MWh).

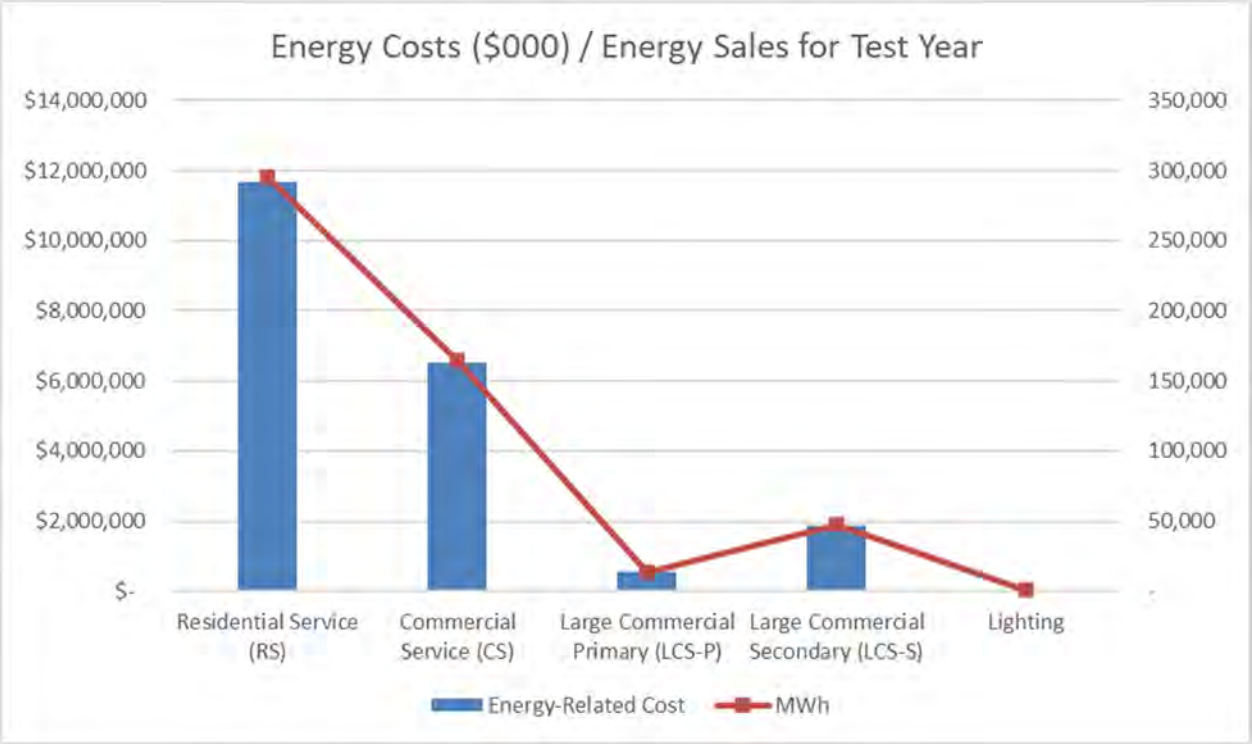

Figure 4-2. Allocation of Energy Costs based on Net Energy for Load

Table 4-6
Energy Cost Allocation

Customer Class	NEFL (MWh)	Allocation (%)
Residential Service (RS)	308,474	56.5%
Commercial Service (CS)	171,982	31.5%
Large Commercial-Primary (LCS-P)	14,608	2.7%
Large Commercial-Secondary (LCS-S)	49,480	9.1%
Lighting	1,215	0.2%
Total(1,2)	522,310	

(1) Based on Test Year projections..
(2) Totals may not add due to rounding.

Customer Allocation Factors

Customer costs are defined herein as those costs related to the number of customers and the size of service required. Included in the customer-related costs are the costs associated with meter reading, meter maintenance, customer installations, billing, collecting, and other customer-related accounting, service, and information functions. The customer allocation factors developed for this Study were based on the projected average number of customers in each class during the Test Year.

In allocating customer-related costs to the various customer classes, NewGen primarily used customer allocation factors that recognized a weighted number of customers by class. The weighted factor is based on the number of customers in a particular class multiplied by a weighting factor. The weighting factors were developed based on the estimated costs associated with serving non-domestic customer classes, recognizing that serving these customer classes is more expensive on a per-customer basis than domestic classes.

Customer Service costs were allocated to customer classes based on a Key Accounts allocator developed specifically to estimate the effort associated with each customer class. This allocator recognizes the larger effort associated with the Large Commercial Services accounts.

Section 5
ALLOCATED COST OF SERVICE

General

As one of the factors considered in the evaluation of KPUB's existing retail rates and rate structures included herein, NewGen employed certain analyses that provide a reasonable indication of the revenue required by KPUB's major customer classes, which include the following:

- Residential Service (RS)
- Commercial Service (CS)
- Large Commercial-Primary (LCS-P)
- Large Commercial-Secondary (LCS-S)
- Lighting

Allocation and Assignment of Cost of Service

The results of the cost allocation analysis are presented in Table 5-1, along with a comparison of the cost recovery currently projected for the Test Year under existing retail rates.

Table 5-1
Existing Test Year Rate Revenues vs. Test Year Revenue Requirement
($000)

Customer Class	Test Year Existing Rate Revenue(1)	Test Year Revenue Requirement	Difference
Residential Service (RS)	$ 28,857	$ 37,824	$ 8,967
Commercial Service (CS)	16,463	20,202	3,739
Large Commercial-Primary (LCS-P)	967	1,417	450
Large Commercial-Secondary (LCS-S)	3,689	5,357	1,668
Lighting	501	330	(171)
Total(2)	$ 50,476	$ 65,129	$ 14,653

(1) Based on existing rates and Test Year (five-year average) billing determinants.
(2) Totals may not add due to rounding.

According to the results of this Study, KPUB's Residential Service (RS), Commercial Service (CS), Large Commercial-Primary (LCS-P), and Large Commercial-Secondary (LCS-S) rates are below the cost KPUB incurs to serve these customers, while Lighting rates are modestly above the COS.

Retail Rate Review

Background information on the existing rate structure of KPUB's major customer classes is presented below. This includes a comparison of the existing rates to the COS-based rates and a description of the development of cost and rate curves. These elements were considered for the individual customer class rate proposals provided in Section 6 of this report.

Residential Service

Table 5-2 provides a summary of KPUB's existing RS class rates compared to the COS-based rates developed for this Study. It is extremely important to note that for customer classes that do not have a demand charge, the COS results reflect taking costs assigned to the class, most of which are fixed in nature, and dividing by kWh. Thus, while the COS shown in the following tables indicate costs per kWh, this does not mean the nature of the costs are all variable, as previously discussed.

The existing RS rate includes a monthly customer charge of $15.25 which is intended to recover costs such as meter reading and billing services. In addition to the fixed charge, customers pay a flat per-kWh energy rate that is broken into two components:

- Distribution Charge: $0.01680 per kWh
- Power Supply Charge: $0.04060 per kWh

These rates apply uniformly across all usage levels and seasons; there are no tiered energy blocks. Additionally, the PCAF, which currently captures changes in wholesale power and transmission costs, is an energy charge. This simple, transparent rate design supports consistent billing and reflects KPUB's approach to maintaining rate stability while recovering actual costs.

Table 5-2
Residential Service (RS) Rates
(Existing and Cost of Service)

Rate Component[1]	Existing	COS
Customer ($/month)	$15.25	$7.50
Distribution ($/kWh)	$0.01680	$0.03670
Power Supply ($/kWh)	$0.04060	$0.04543

(1) Applicable PCAF not shown.

The customer-related COS amount includes the costs for meter reading, billing and collections, customer service, and the allocated portion of distribution infrastructure closely related to customer count (meters and services).

Residential Service Cost Curve

Figure 5-1 provides an illustration of a "cost curve" for KPUB's RS customer class. A cost curve represents the total costs to serve a customer within a specific rate class over a range of monthly energy usage. The total costs are divided by the total monthly energy usage (in kWh) to calculate an "all-in" cost ($/kWh) to serve customers. A cost curve is a convenient tool to understand how unit costs (all-in $/kWh) for fixed cost industries (such as electric utilities) behave. If the customer is only using very small amounts of energy

in a month, the all-in costs per kWh are high because of the high fixed costs. However, if the customer is using large amounts of energy in a month, the fixed costs are spread over more energy, resulting in a lower all-in cost per kWh. This is why the cost curves for KPUB—and, generally speaking, for any utility—exhibit a characteristic shape: a high 'tail' on the left, followed by a rapid decline that gradually flattens toward the right. Cost curves are useful in rate design to allow a comparison of rates and rate structures to a utility's costs.

Figure 5-1. Cost and Current Rate Curves for Residential Service

Commercial Service Rate Review

Table 5-3 provides a summary of KPUB's existing CS class rates compared to the COS-based rates developed in this Study. The existing CS rate includes a fixed monthly customer charge of $31.50. Beyond this fixed component, energy and demand charges are tiered based on usage and demand levels. The energy component includes both distribution and power supply charges while the demand charge applies to the measured customer demand for customers that use more than 2,500 kWh per month.

Table 5-3
Commercial Service (CS) Rates
(Existing and Cost of Service)

Rate Component[1]	Existing	COS
Customer ($/month)	$31.50	$32.53
Distribution ≤ 2500 kWh ($/kWh)	$0.01873	$0.02891
Distribution >2500 kWh ($/kWh)	$0.01523	$0.02891
Demand >2500 kWh ($/kW)	$1.00	$-
Power Supply ($/kWh)	$0.04228	$0.04443

(1) Applicable PCAF not shown.

The distribution component of the energy rate is binary – it is $0.01873/kWh for customers that use up to 2,500 kWh per month and it is $0.01523/kWh for customers that use more than 2,500 kWh per month. The existing CS rate includes a $1.00/kW demand charge for customers that use over 2,500 kWh per month. While the COS does not show a demand rate, the reality is that the distribution costs are all fixed. These were converted into a rate per kWh for presentation in this table.

As part of this Study, NewGen has recommended that KPUB introduced a new Medium Commercial (CM) service class to better differentiate between small and medium commercial customer loads. Customers with billing demands exceeding 25 kW will be reassigned to the CM class, which incorporates a dedicated demand charge that more accurately reflects their cost to serve. The remaining customers in the CS class will be part of a Small Commercial class, which will have no demand charge. This reassignment of customers in the existing CS class will simplify the rate structure (as the rates charged will no longer be different within the same class depending on how much energy is used in any particular month).

The existing power supply charge of $0.04228 per kWh is slightly below the COS-derived rate of $0.04443 per kWh. As with the RS class, energy charges under the CS class rate remain subject to the PCAF.

Commercial Service Cost Curve

Similar to the analysis conducted for the RS class, Figure 5-2 presents a cost curve comparison for the CS class, illustrating the relationship between existing rates and COS-based revenue recovery across a wide range of monthly usage levels. The curve highlights how current rates under-recover costs across most usage levels compared to COS-based rates.

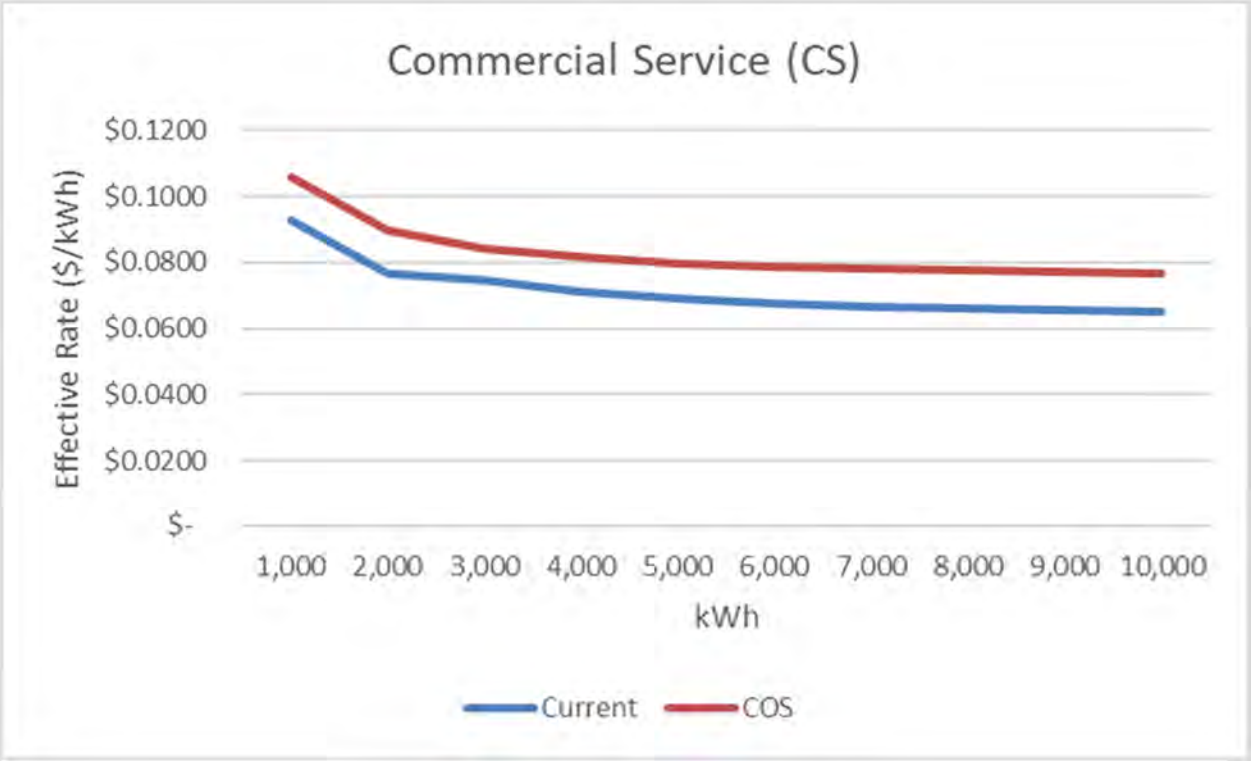

Figure 5-2. Cost and Current Rate Curves for Commercial Service

Large Commercial-Primary Rate Review

The LCS-P class is designed to serve KPUB's largest commercial and industrial customers who receive service at the primary distribution voltage level and exhibit high and consistent demand profiles. These customers typically include manufacturing plants, institutional campuses, and large-scale commercial operations with significant peak demand and energy requirements.

Table 5-4 provides a summary of KPUB's existing rates for the LCS-P class alongside those derived from the COS analysis. Under the current rate structure, the customer charge is set at $230.00 per month, which is significantly below the COS-based customer charge of $2,729.28. This COS-based figure reflects the full cost of serving large customers at the primary voltage level, including investment in metering, infrastructure, billing, account management, and other fixed costs that are not based on usage.

The existing distribution rate is $0.00287 per kWh. Note that there is no COS-derived energy rate for distribution because these costs are all fixed and this customer class can be assessed demand charges. The demand charge is used to recover fixed capacity costs associated with production, transmission, and the demand-related portion of the distribution systems. The current demand charge is $7.50 per kW compared to a COS-derived rate of $10.54 per kW. The COS more closely aligns with the true cost of maintaining and operating the infrastructure required to meet these customers' peak demands in a reliable manner. The power supply charge under the existing rate is $0.03030 per kWh, which is slightly lower than the COS-derived rate of $0.03493 per kWh. Like other customer classes, the LSC-P customers are subject to the PCAF.

Table 5-4
Large Commercial-Primary Service Rates
(Existing and Cost of Service)

Rate Component(1)	Existing	COS
Customer ($/month)	$230.00	$2,729.28
Distribution ($/kWh)	$0.00287	$-
Demand ($/kW)	$7.50	$10.54
Power Supply ($/kWh)	$0.03030	$0.03493

(1) Applicable PCAF not shown.

Large Commercial-Primary Cost Curve

Figure 5-3 illustrates the cost curve comparison for KPUB's LCS-P class, showing the relationship between existing effective rates and those derived from the COS analysis across a wide range of monthly usage levels. The effective rate expressed in $/kWh is calculated by combining customer-, demand-, distribution-, and energy-related charges based on varying monthly kWh consumption.

As seen in the chart, the COS curve is consistently above the existing rate curve, particularly at lower usage levels. This gap highlights a significant under-recovery of costs under the current rate structure. As usage increases, the effective rate stabilizes as fixed costs are spread over a greater volume of kWh. But, even at high consumption levels, the existing rates remain below the COS.

This comparison underscores the need to realign the LCS-P rate structure with cost causation principles. The COS results support a substantial increase in the monthly customer charge and upward adjustments to the demand and distribution rates to better reflect the infrastructure investment, service level, and capacity needs of this large customer class. Such changes would ensure that cost recovery is equitable and that cross-subsidization from other classes is minimized.

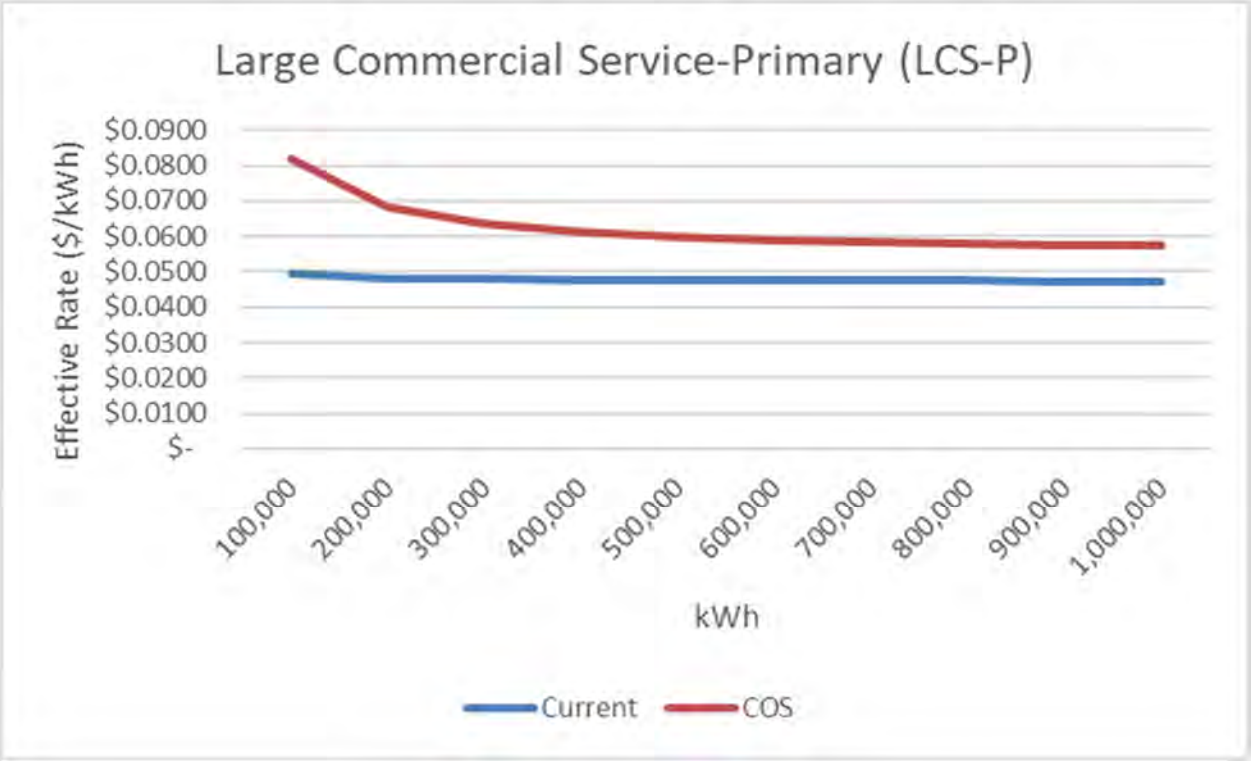

Figure 5-3. Cost and Current Rate Curves for Large Commercial-Primary

Large Commercial-Secondary Rate Review

The LCS-S class serves KPUB's large commercial customers who receive service at secondary voltage level and maintain consistently high demand and energy usage. These customers often include large retail centers, hospitals, schools, and manufacturing facilities that require substantial load but are not configured for primary voltage delivery.

Table 5-5 presents a comparison of existing LCS-S rates with those derived from the COS analysis. The current monthly customer charge is $230.00, and the COS-based figure is $2,729.28. This reflects the full scope of fixed costs associated with serving this customer class, including metering, account management, customer service, and infrastructure that is not sensitive to usage. The existing rate includes a distribution charge of $0.00287 per kWh. As with LSC-P, there is no COS-based on energy charge for distribution. The demand charge is currently $7.50 per kW compared with a COS-derived value of $10.88 per kW. This rate captures the cost of capacity-related investments in production, transmission, and the demand-allocated share of the distribution system. This class exhibits relatively stable, high peak demands that drive long-term system planning and investment. The current power supply charge of $0.03351 per kWh is slightly below the COS-based amount of $0.03643 per kWh. As with all customer classes, the LCS-S class is subject to the PCAF.

Table 5-5
Large Commercial-Secondary Service Rates
(Existing and Cost of Service)

Rate Component[1]	Existing	COS
Customer ($/month)	$230.00	$2,729.28
Distribution ($/kWh)	$0.00287	$-
Demand ($/kW)	$7.50	$10.88
Power Supply ($/kWh)	$0.03351	$0.03643

(1) Applicable PCAF not shown.

Large Commercial-Secondary Cost Curve

Figure 5-4 illustrates the cost curve comparison for KPUB's LCS-S class, highlighting the relationship between existing effective rates and those derived from the COS analysis across a range of monthly energy consumption levels. The effective rate expressed in $/kWh includes customer-, demand-, and energy-related charges applied to varying levels of monthly usage.

As shown in the figure, the COS-based curve is notably higher than the existing rate curve across all consumption levels, particularly at the lower end of the usage spectrum. This disparity reflects significant under-recovery of fixed costs, especially customer- and demand-related costs, under the current rate design.

The cost curve reinforces the need for adjustments to the current rate design for LCS-S customers. The COS results support a substantial increase in the monthly customer charge and demand rate to more accurately recover the cost to serve this class. These changes are intended to reduce cross-subsidization from other rate classes and improve alignment with cost causation principles.

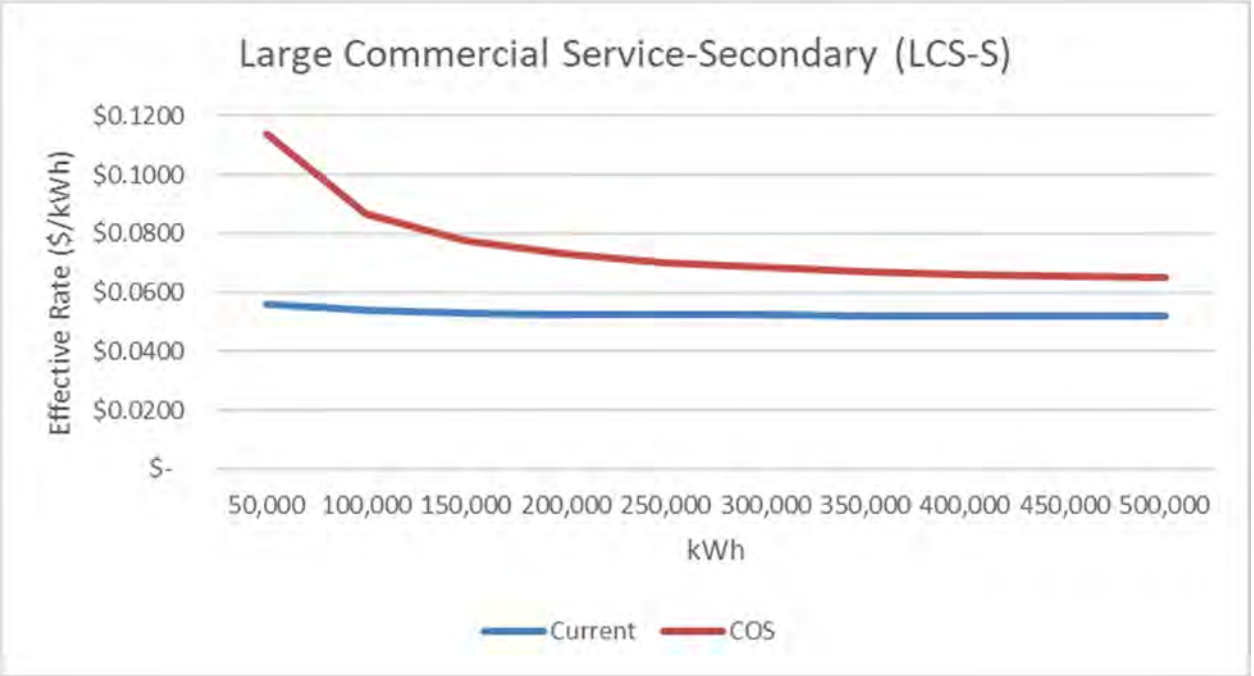

Figure 5-4. Cost and Current Rate Curves for Large Commercial-Secondary

Section 6
PROPOSED RATES

General

As previously noted, rate design is the final step in a COS study and establishes the cost recovery mechanisms (rates and charges) for each customer class. Rates and charges are set for each customer class to collectively meet KPUB's average annual Revenue Requirement as well as to address specific policy goals and objectives, as determined by KPUB. For the purposes of this Study, NewGen considered the following rate design objectives during the rate design process, which are inclusive of the following ratemaking principles established in concert with KPUB:

- Achieve full recovery of costs.
- Equitably allocate costs across and within customer classes.
- Encourage efficient use of electricity.
- Provide rate stability.
- Maintain rate competitiveness in the region.
- Ensure ease of management with rates that are easy to understand and communicate to customers.

Achieving the Revenue Requirement is a primary goal of the rate design. This requires aligning rate components (e.g., energy, demand, and customer charges) with projected billing determinants to generate sufficient revenue for fund operations and capital investments.

KPUB also needs to ensure sufficient recovery of fixed costs through fixed charges – recognizing that a significant portion of fixed costs will be recovered in energy charges. Greater reliance on customer and demand charges helps ensure financial stability.

Current Rate Classifications

At the time of this Study, KPUB has six rate schedules in effect. A summary of the current rate schedules and their customer classes is provided in Table 6-1.

Table 6-1
Current Rate Schedules and Customer Class

Rate Schedule	Rate Code	Customer Class
Residential Service	Rate Schedule-RS	Individually metered single-family homes (non-shared, non-commercial).
Commercial Service	Rate Schedule-CS	Non-residential services with maximum monthly demand < 400 kW.
Large Commercial Service-Primary	Rate Schedule-LCS-P	Non-residential services with monthly demand ≥ 400 kW. Primary voltage.
Large Commercial Service-Secondary	Rate Schedule-LCS-S	Non-residential services with monthly demand ≥ 400 kW. Secondary voltage.
Outdoor Area Lighting	Rate Schedule-OAL	Unmetered outdoor lighting (excludes street, shared, or resale).
Street Lighting	Rate Schedule-SL	Lighting for public roads using KPUB's distribution system.

Proposed Rate Design

This section of the report provides a summary of the proposed rate design for each year of the Rate Plan for each major rate class. Included in this summary is an analysis of the proposed rates, including rate impacts for the selected customer types.

Residential Service Rates and Bill Comparison Analysis

Table 6-2 provides a summary of the proposed rate adjustments for the RS rate class for each year of the Rate Plan and a comparison of the rate components to the existing rate structure.

Table 6-2
Residential Rates
(Existing and Proposed)

		Proposed Effective October 1st				
Rate Component(1)	Existing	2025	2026	2027	2028	2029
Customer Charge ($/month)	$15.25	$16.75	$16.75	$16.75	$16.75	$16.75
Distribution Charge						
Energy ($/kWh)	$0.01680	$0.02088	$0.02496	$0.02905	$0.03314	$0.03723
Demand ($/kW)	N/A	N/A	N/A	N/A	N/A	N/A
Power Supply Charge ($/kWh)	$0.04060	$0.04543	$0.04543	$0.04543	$0.04543	$0.04543

(1) Applicable PCAF not shown.

The proposed customer charge is $16.75 for the entire five-year period. This increase in the customer charge allows for more fixed cost recovery of demand-related costs, as this class does not have a demand rate. The proposed power supply charge is designed to recover the fixed costs associated with the debt service on the new generation investment and transmission by others. For the RS rate class, the proposed

power supply charge is $0.04543 per kWh for the entire five-year period. The proposed energy rates for the RS rate class are set to generally recover the balance of the revenue requirement allocated to this customer class but allow for a phase-in over the five-year period.

Distribution of Bill Impacts – Residential Service Customers

Figure 6-1 presents an analysis of bill impacts across KPUB's existing RS customer class based on actual billing data. The graph illustrates the change in customer bills from current rates to proposed rates for FY 2026, showing that most customers will experience a 7%–8% increase in their monthly bill.

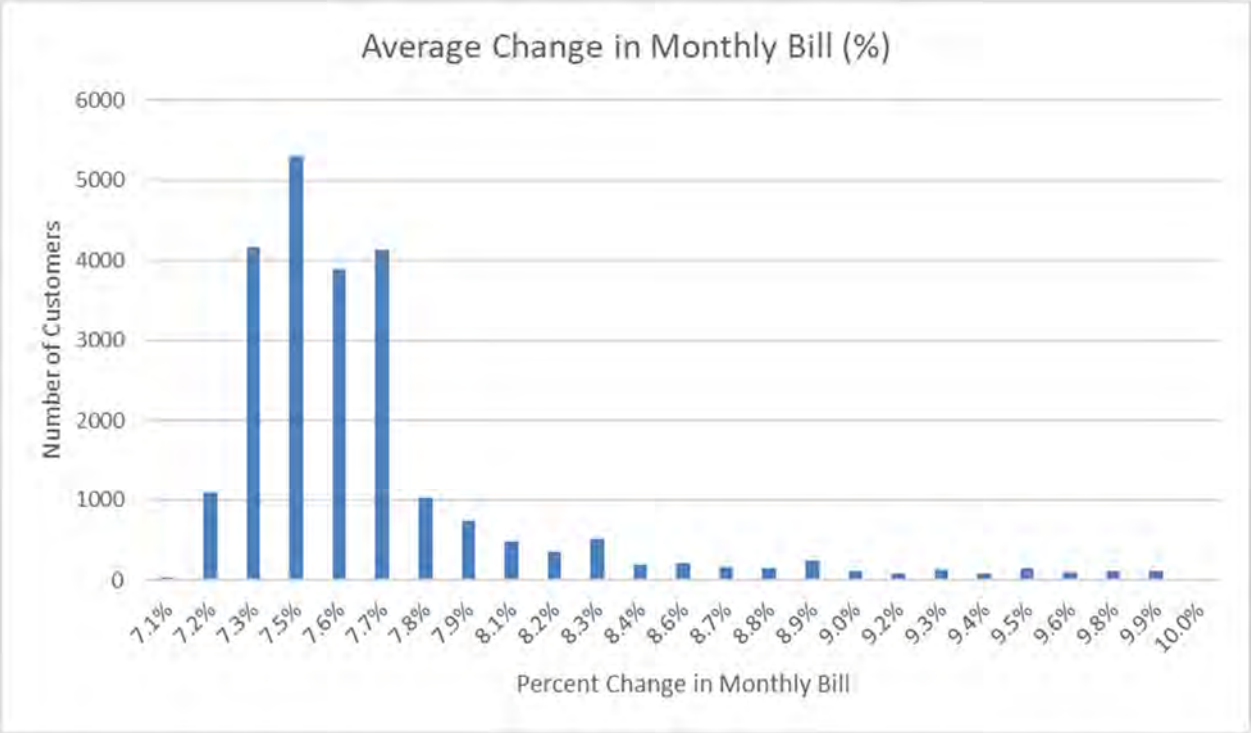

Figure 6-1. Distribution of KPUB Residential Customers' Bill Change

Small Commercial Service Rates and Bill Comparison Analysis

Table 6-3 provides a summary of the proposed rate adjustments for the CS rate class, specifically for those customers that were not assessed a demand charge under the current rate design and which will be in the proposed Small Commercial customer class.

Table 6-3
Commercial Service Rates (Small Commercial)
(Existing and Proposed)

Rate Component[1]	Existing	Proposed Effective October 1st				
		2025	2026	2027	2028	2029
Customer Charge ($/month)	$31.50	$33.00	$33.00	$33.00	$33.00	$33.00
Distribution Charge						
Energy ($/kWh)	$0.01873	$0.02112	$0.02351	$0.02590	$0.02829	$0.03068
Demand ($/kW)	$-	$-	$-	$-	$-	$-
Power Supply Charge ($/kWh)	$0.04228	$0.04443	$0.04443	$0.04443	$0.04443	$0.04443

(1) Applicable PCAF not shown.

The proposed customer charge is $33.00 for the entire five-year period. This increase in the customer charge allows for greater recovery of fixed costs, including a portion of demand-related costs, while maintaining rate stability over time. The proposed power supply charge is designed to recover the fixed costs associated with the debt service on the new generation investment and transmission by others. For the CS rate class, the proposed power supply charge is $0.04443 per kWh for the entire five-year period. The proposed energy rates for the proposed Small Commercial rate class are set to generally recover the balance of the revenue requirement allocated to this customer class but allow for a phase-in over the five-year period.

Distribution of Bill Impacts – Small Commercial Service Customers

Figure 6-2 presents an analysis of bill impacts across KPUB's Small Commercial customer class based on actual billing data. The graph illustrates the change in customer bills from current rates to proposed rates for FY 2026, showing that most customers will experience a 1.2%–3.1% increase in their monthly bill.

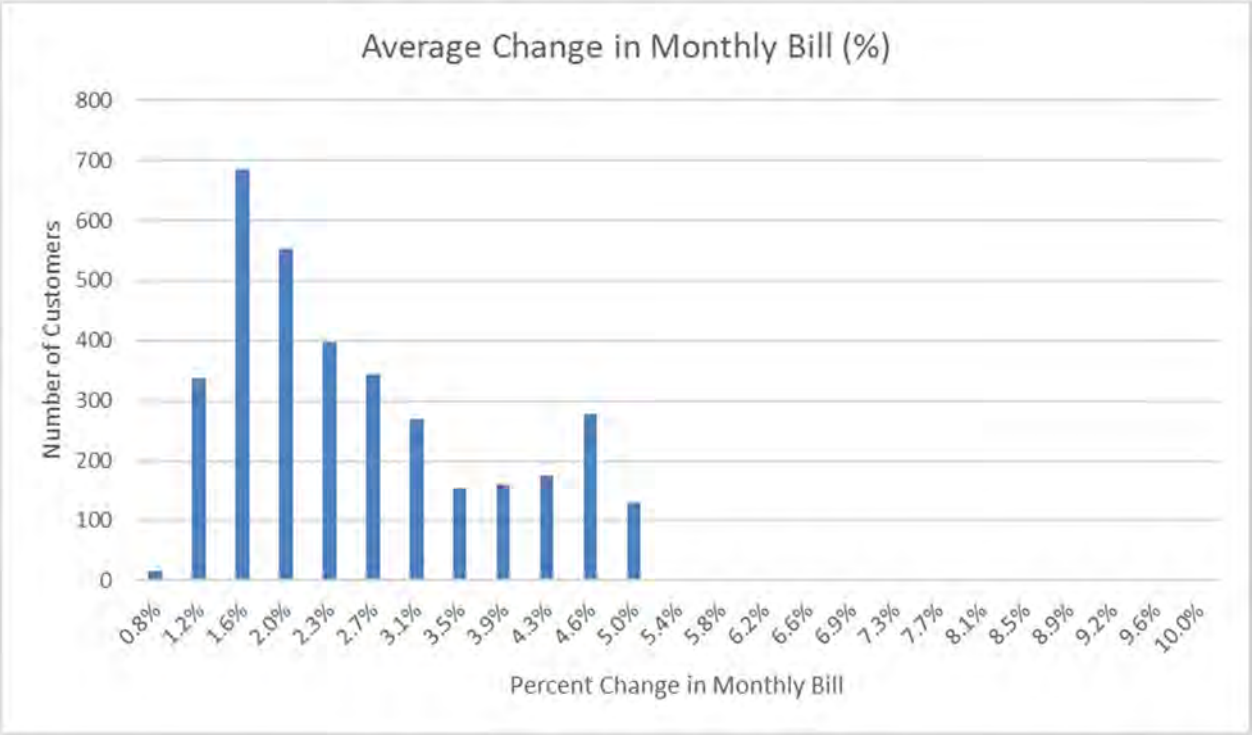

Figure 6-2. Distribution of KPUB Small Commercial Customers' Bill Change

Medium Commercial Service Rates and Bill Comparison Analysis

Table 6-4 provides a summary of the proposed rate adjustments for the CS rate class, specifically for those customers that were assessed a demand charge under the current rate design and which will be in the proposed Medium Commercial customer class. Under the proposed rate structure, a demand charge is applied to all commercial customers with loads exceeding 25 kW (but less than 400 kW). These customers would be in the proposed Medium Commercial customer class. By refining the class structure, the proposed rate design promotes fairness in cost allocation and supports more efficient energy usage among commercial customers.

Table 6-4
Commercial Service Rates (Medium Commercial)
(Existing and Proposed)

Rate Component[1]	Existing	Proposed Effective October 1st				
		2025	2026	2027	2028	2029
Customer Charge ($/month)	$31.50	$33.00	$33.00	$33.00	$33.00	$33.00
Distribution Charge						
Energy ($/kWh)	$0.01523	$0.01672	$0.01821	$0.01969	$0.02117	$0.02265
Demand ($/kW)	$1.00	$1.50	$2.00	$2.50	$3.00	$3.50
Power Supply Charge ($/kWh)	$0.04228	$0.04443	$0.04443	$0.04443	$0.04443	$0.04443

(1) Applicable PCAF not shown.

The proposed customer charge is $33.00 for the entire five-year period. The demand charge is proposed to increase by $0.50 per year over the five-year period. These increases in the customer charge and demand charge allow for greater recovery of fixed costs while allowing a phase-in over the five-year period. The proposed power supply charge is designed to recover the fixed costs associated with the debt service on the new generation investment and transmission by others. For the CS rate class, the proposed power supply charge is $0.04443 per kWh for the entire five-year period. The proposed energy rates for the proposed Medium Commercial rate class are set to generally recover the balance of the revenue requirement allocated to this customer class but allow for a phase-in over the five-year period.

Distribution of Bill Impacts – Medium Commercial Service Customers

Figure 6-3 presents an analysis of bill impacts across KPUB's Medium Commercial customer class based on actual billing data. The graph illustrates the change in customer bills from current rates to proposed rates for FY 2026, showing that most customers will experience a 1.8%–4.3% increase in their monthly bill.

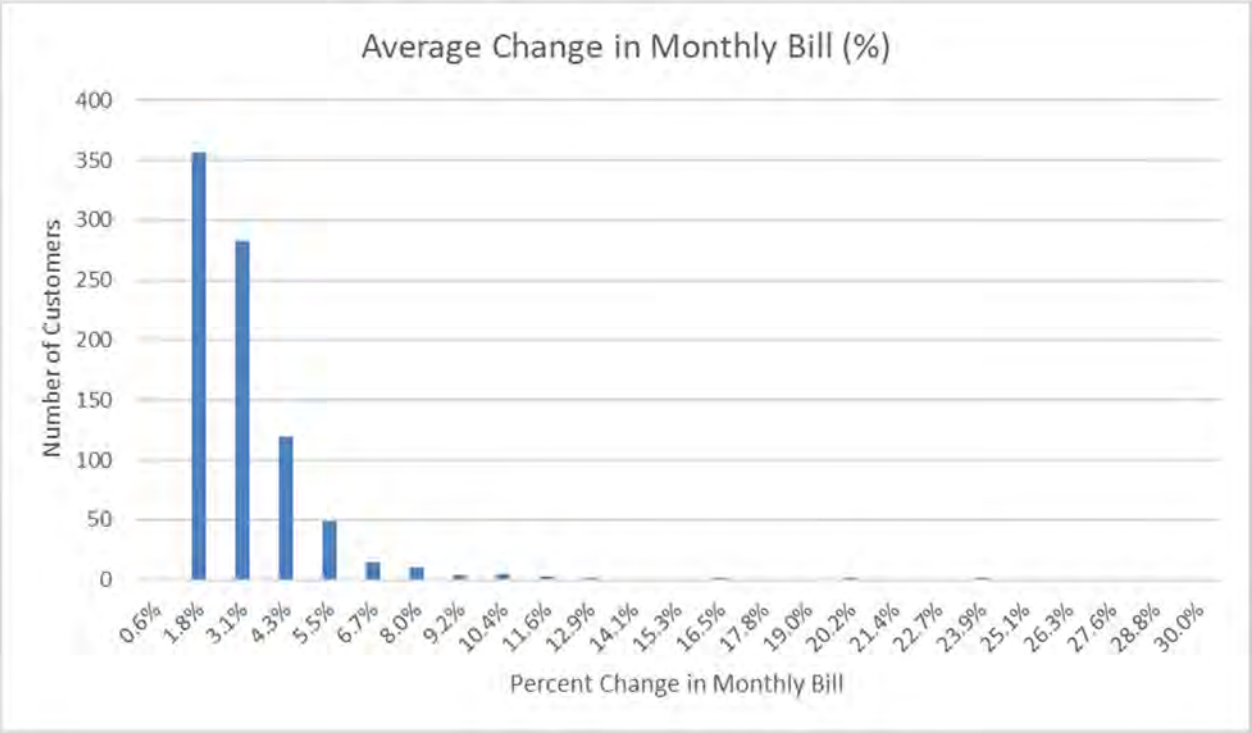

Figure 6-3. Distribution of KPUB Medium Commercial Customers' Bill Change

Large Commercial Service-Primary Rates and Bill Comparison Analysis

Table 6-5 provides a summary of the proposed rate adjustments for the LCS-P rate class for each year of the Rate Plan and a comparison of the rate components to the existing rate structure.

Table 6-5
Large Commercial Service-Primary Rates
(Existing and Proposed)

		Proposed Effective October 1st				
Rate Component(1)	Existing	2025	2026	2027	2028	2029
Customer Charge ($/month)	$230.00	$275.00	$275.00	$275.00	$275.00	$275.00
Distribution Charge						
Energy ($/kWh)	$0.00287	$0.00501	$0.00715	$0.00929	$0.01143	$0.01357
Demand ($/kW)	$7.50	$8.00	$8.50	$9.00	$9.50	$10.00
Power Supply Charge ($/kWh)	$0.03030	$0.03493	$0.03493	$0.03493	$0.03493	$0.03493

(1) Applicable PCAF not shown.

The proposed customer charge is $275.00 for the entire five-year period. The demand charge is proposed to increase by $0.50 per year over the five-year period. These increases in the customer charge and demand charge allow for greater recovery of fixed costs while allowing a phase-in over the five-year period. The proposed power supply charge is designed to recover the fixed costs associated with the debt

service on the new generation investment and transmission by others. For the LCS-P rate class, the proposed power supply charge is $0.03493 per kWh for the entire five-year period. The proposed energy rates for the proposed LCS-P rate class are set to generally recover the balance of the revenue requirement allocated to this customer class but allow for a phase-in over the five-year period.

Distribution of Bill Impacts – Large Commercial Service-Primary Customers

Figure 6-4 presents an analysis of bill impacts across KPUB's existing LCS-P customer class based on actual billing data. The graph illustrates the change in customer bills from current rates to proposed rates for FY 2026, showing that customers will experience a 17.3%–19.7% increase in their monthly bill.

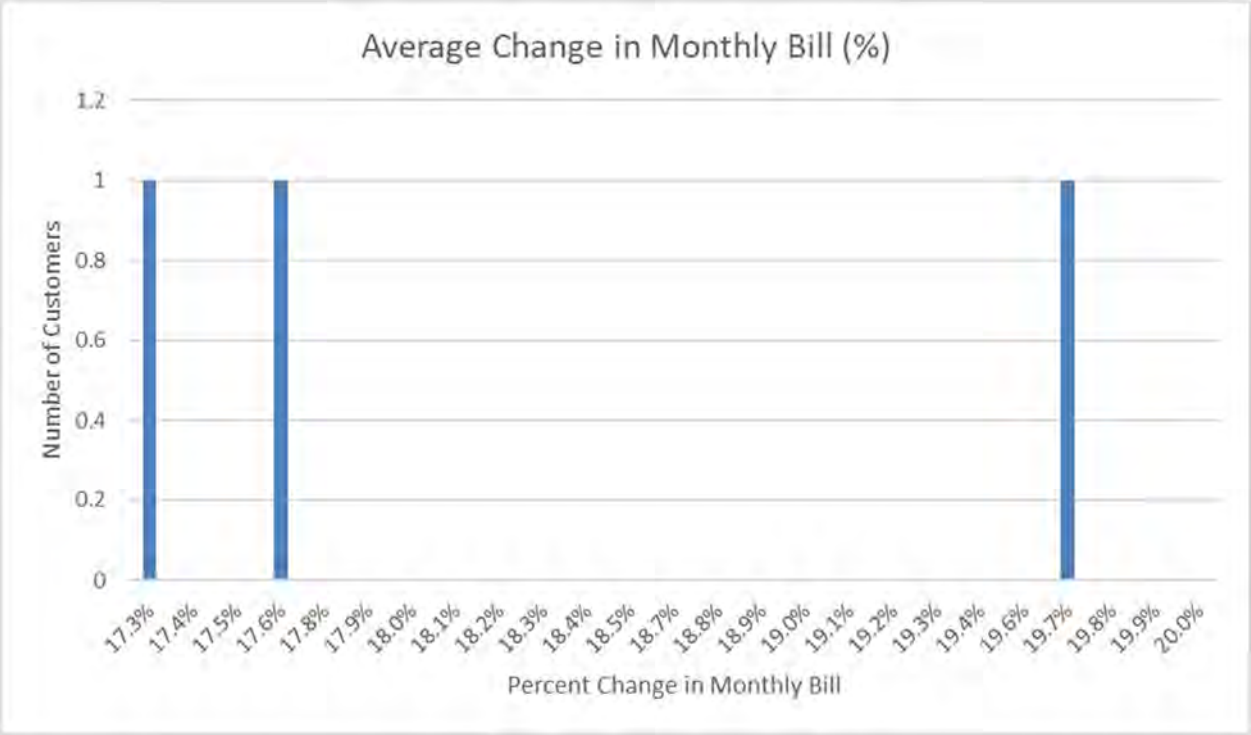

Figure 6-4. Distribution of KPUB Large Commercial-Primary Customers' Bill Change

Large Commercial Service-Secondary Rates and Bill Comparison Analysis

Table 6-6 provides a summary of the proposed rate adjustments for the LCS-S rate class for each year of the Rate Plan and a comparison of the rate components to the existing rate structure.

Table 6-6
Large Commercial Service-Secondary Rates
(Existing and Proposed)

Rate Component[1]	Existing	Proposed Effective October 1st				
		2025	2026	2027	2028	2029
Customer Charge ($/month)	$230.00	$275.00	$275.00	$275.00	$275.00	$275.00
Distribution Charge						
Energy ($/kWh)	$0.00220	$0.00580	$0.00940	$0.01300	$0.01660	$0.02020
Demand ($/kW)	$7.50	$8.00	$8.50	$9.00	$9.50	$10.00
Power Supply Charge ($/kWh)	$0.03351	$0.03643	$0.03643	$0.03643	$0.03643	$0.03643

(1) Applicable PCAF not shown.

The proposed customer charge is $275.00 for the entire five-year period. The demand charge is proposed to increase by $0.50 per year over the five-year period. These increases in the customer charge and demand charge allow for greater recovery of fixed costs while allowing a phase-in over the five-year period. The proposed power supply charge is designed to recover the fixed costs associated with the debt service on the new generation investment and transmission by others. For the LCS-S rate class, the proposed power supply charge is $0.03643 per kWh for the entire five-year period. The proposed energy rates for the proposed LCS-S rate class are set to generally recover the balance of the revenue requirement allocated to this customer class but allow for a phase-in over the five-year period.

Distribution of Bill Impacts – Large Commercial Service-Secondary Customers

Figure 6-5 presents an analysis of bill impacts across KPUB's existing LCS-S customer class based on actual billing data. The graph illustrates the change in customer bills from current rates to proposed rates for FY 2026, showing that most customers will experience a 13.5%–14.1% increase in their monthly bill.

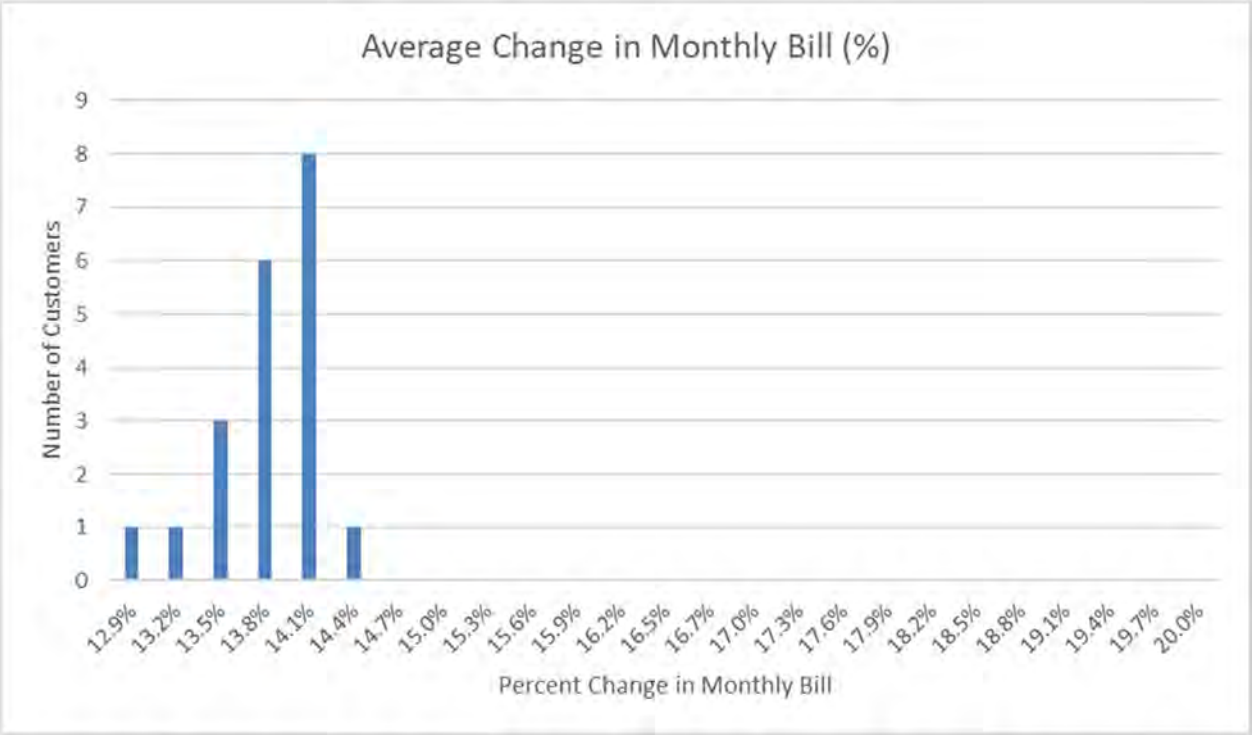

Figure 6-5. Distribution of KPUB Large Commercial-Secondary Customers' Bill Change

Lighting Rates

The analysis and discussion with KPUB indicates that a change to the existing lighting rates is not warranted at this time.

Conclusions

Based on the results of the Electric COS and Rate Design Study, NewGen makes the following conclusions:

- The analysis conducted for the Five-Year Rate Plan reveals that KPUB's current electric rates are not sufficient to generate the revenue required to meet projected financial obligations and sustain ongoing utility operations.
- The proposed rate structures have been designed to support cost-reflective pricing while balancing affordability and stability. These structures gradually increase fixed charges and introduce demand-based charges where appropriate, improving alignment with cost causation principles and mitigating cross-subsidization among classes.

Recommendations

Based on the conclusions and supporting analyses presented herein, NewGen makes the following recommendations:

- Adopt the Proposed Five-Year Rate Plan:

- The rates and charges developed in this Study provide a balanced approach to meeting KPUB's Revenue Requirement while addressing policy goals such as equity, simplicity, and stability. The full implementation of the Five-Year Rate Plan is recommended to avoid exacerbating revenue shortfalls and to support capital investment recovery.

- Maintain Infrastructure Investment and Operational Readiness:
  - KPUB should proceed with its planned Capital Improvement Plans (CIP), system modernization efforts, and investment in generation resources. These measures are critical to ensuring reliable service delivery and accommodating future load growth and power supply changes.
- Reassess Rate Strategies Regularly:
  - It is recommended that KPUB revisit its rate structures and COS at regular intervals, particularly as new generation assets come online and system characteristics evolve. This will ensure that rates remain fair, financially sustainable, and responsive to customer needs.

NewGen Strategies & Solutions

THANK YOU!

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MEMORANDUM

To: Glenn Andrew
Rachel Johnston
Larry Howard
David Sprouse
Mayor Joe Herring, Jr.

From: Amy Dozier

Date: July 9, 2026

Re: Agenda Item No. 9 – Resolution 26-15 – Revision of Residential Electric Rates and Forwarding the Proposed Residential Tariff to the City of Kerrville for Action and Approval by the City Council

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In 2025, KPUB contracted with NewGen Strategies and Solutions (NewGen) to perform an Electric Cost of Service and Rate Design Study. The results of the Study, including recommended rate strategies to promote operational resiliency, financial stability, and equitable cost recovery while maintaining customer acceptance and minimizing administrative complexity, were presented to the Board on July 16, 2025, by Grant Rabon of NewGen.

The Study recommended revisions to the Customer Charge, Distribution Energy Charge, Distribution Demand Charge, and Power Supply Charge effective in the first year (FY2026), followed by annual adjustments to the Distribution Energy and Distribution Demand Charges over a five-year period. However, the Board adopted Resolution No. 25-22 directing staff to defer the fiscal year 2026 rate increase by utilizing up to $3.4 million from the Rate Stabilization Fund to provide economic relief to the community following the July 4, 2025 flood. The temporary deferral is only for fiscal year 2026, making implementation of revised rates in fiscal year 2027 necessary to maintain KPUB's financial integrity and stability.

In addition, NewGen recommended that KPUB introduced a new Medium Commercial service class to better differentiate between small and medium commercial customer loads. Customers with billing demands exceeding 25 kW will be reassigned to the Medium Commercial class, which incorporates a dedicated demand charge that more accurately reflects their cost to serve. The remaining customers in the existing Commercial class will be assigned to the Small Commercial class, which will have no demand charge. This reassignment of customers in the existing Commercial class will simplify the rate structure as the rates charged will no longer be different within the same class depending on how much energy is used in any particular month.

Finally, NewGen proposed a change in the way the Power Cost Adjustment is calculated. The new approach reflects an industry standard and results in a flat rate per kWh instead of a multiplier. Details of the previous and proposed calculations are attached.

Management recommends approval of the attached year 1 rates effective November 1, 2026.

Small Commercial	**Current**	**Proposed**	
Customer Charge	$ 31.50	$ 33.00	
Distribution Energy Charge ($/kWh)	$ 0.01873	$ 0.02112	
Power Supply Base Charge ($/kWh)	$ 0.04228	$ 0.04443	
Monthly Average Small Commercial Bill			
Customer Charge	$ 31.50	$ 33.00	
Distribution Energy Charge	17.80	20.08	
Total Power Supply Charge*	77.17	77.17	
Total Bill	$ 126.47	$ 130.24	3%

Medium Commercial	**Current**	**Proposed**	
Customer Charge	$ 31.50	$ 33.00	
Distribution Energy Charge ($/kWh)	$ 0.01523	$ 0.01672	
Distribution Demand Charge ($/kW)	$ 1.00	$ 1.50	
Power Supply Base Charge ($/kWh)	$ 0.04228	$ 0.04443	
Monthly Average Medium Commercial Bill			
Customer Charge	$ 31.50	$ 33.00	
Distribution Energy Charge	173.49	190.46	
Distribution Demand Charge	42.55	63.82	
Total Power Supply Charge*	924.75	931.59	
Total Bill	$ 1,172.29	$ 1,218.88	4%

Large Commercial - Secondary	**Current**	**Proposed**	
Customer Charge	$ 230.00	$ 275.00	
Distribution Energy Charge ($/kWh)	$ 0.00220	$ 0.00580	
Distribution Demand Charge ($/kW)	$ 7.50	$ 8.00	
Power Supply Base Charge ($/kWh)	$ 0.03351	$ 0.03643	
Monthly Average Large Commercial - Secondary Bill			
Customer Charge	$ 230.00	$ 275.00	
Distribution Energy Charge	427.03	1,125.81	
Distribution Demand Charge	3,165.00	3,376.00	
Total Power Supply Charge*	12,488.72	14,321.07	
Total Bill	$ 16,310.75	$ 19,097.88	17%

Large Commercial - Primary	**Current**	**Proposed**	
Customer Charge	$ 230.00	$ 275.00	
Distribution Energy Charge ($/kWh)	$ 0.00287	$ 0.00501	
Distribution Demand Charge ($/kW)	$ 7.50	$ 8.00	
Power Supply Base Charge ($/kWh)	$ 0.03030	$ 0.03493	
Monthly Average Large Commercial - Primary Bill			
Customer Charge	$ 230.00	$ 275.00	
Distribution Energy Charge	1,638.20	2,859.71	
Distribution Demand Charge	8,220.00	8,768.00	
Total Power Supply Charge*	33,203.44	40,952.24	
Total Bill	$ 43,291.63	$ 52,854.95	22%

*Note that the total power supply charge is comprised of a base charge and an adjustment that depends on the actual cost of purchased power. The rates shown in this example reflect the Power Supply Charge in July 2026. The adjustment portion of the Power Supply Charge can change at any time based on actual power costs.

Attached to this memo, please find:

1. Resolution 26-15, including revised tariff as Exhibit A
2. Redlined tariff
3. Electric Cost of Service and Rate Design Study from NewGen can be found attached to Agenda Item 8.

I am happy to answer any questions regarding the proposed changes.

Sincerely,

Amy Dozier
Assistant General Manager

RESOLUTION NO. 26-15

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

WHEREAS, in January 2025, KPUB contracted with NewGen Strategies and Solutions to perform an Electric Cost of Service and Rate Design Study; and

WHEREAS, the Study evaluated the costs of operating, maintaining, and improving KPUB's electric utility system and recommended a rate design intended to ensure that electric rates remain fair, equitable, and sufficient to support the utility's long-term financial sustainability and infrastructure investment; and

WHEREAS, the results of the Study, including recommended rate strategies to promote operational resiliency, financial stability, and equitable cost recovery while maintaining customer acceptance and minimizing administrative complexity, were presented to the Board on July 16, 2025, by Grant Rabon of NewGen Strategies and Solutions; and

WHEREAS, the Study recommended revisions to the Commercial Customer Charge, Distribution Charge, and Power Supply Charge effective in the first year, followed by annual adjustments to the Distribution Charge over a five-year period; and

WHEREAS, the Study recommended simplifying the power cost adjustment calculation methodology, in line with industry standards resulting in a flat rate per kWh, rather than a factor, for the adjustment; and

WHEREAS, on September 17, 2025, the Board adopted Resolution No. 25-22 directing staff to defer the fiscal year 2026 rate increase by utilizing up to $3,400,000 from the Rate Stabilization Fund to provide economic relief to the community following the July 4, 2025 flood; and

WHEREAS, the temporary deferral is only for fiscal year 2026, making implementation of revised rates in fiscal year 2027 necessary to maintain KPUB’s financial integrity;

WHEREAS, the Board finds that the proposed commercial rates are just, reasonable, nondiscriminatory, and designed to recover the cost of providing electric service while maintaining KPUB’s financial stability;

BE IT RESOLVED BY THE KERRVILLE PUBLIC UTILITY BOARD THAT:

Section 1. The above recitals are true and correct.

Section 2. The Board approves splitting the previous Commercial Rate class into Small Commercial and Medium Commercial rate classes as recommended by NewGen Strategies and Solutions.

Section 3. The Board approves the new Requirements for Commercial Rate Classifications, new Small Commercial Rate Tariff, Rate Schedule SCS, the new Medium Commercial Rate Tariff, Rate Schedule MCS, revised Large Commercial Rate Tariff, Rate Schedule LCS, revised Power Cost Adjustment Rider, and administrative updates to the Billing section attached hereto as Exhibit "A", as recommended by NewGen Strategies and Solutions and KPUB Staff.

Section 4. These revised rates shall become effective on November 1, 2026.

PASSED, APPROVED AND ADOPTED on this 15th day of July, 2026

_____
Glenn Andrew, Chairman

ATTEST:

_____
Larry Howard, Secretary

EXHIBIT A

REQUIREMENTS FOR COMMERCIAL RATE CLASSIFICATIONS SCS, MCS, LCS

APPLICATION

The following requirements apply to Small Commercial Service (SCS), Medium Commercial Service (MCS), and Large Commercial Service (LCS). These provisions are cumulative and in addition to all other applicable provisions.

INITIAL RATE CLASS ASSIGNMENT

At the time an application for service is received, KPUB will assign each commercial customer to the rate class that, in KPUB's judgment, best reflects the customer's expected demand and service characteristics, based on the information reasonably available to KPUB. KPUB may, in its sole discretion, consider expected load, connected load, business type, operating hours, equipment, premises size, prior utility records, and other relevant information.

CUSTOMER REQUEST FOR CLASS ASSIGNMENT

A customer may request assignment to a particular commercial rate class. The request shall be in writing and supported by information reasonably requested by KPUB. KPUB may approve or deny the request based on the customer's eligibility under this Tariff. No customer has a right to remain in, or be placed in, a rate class for which KPUB determines in its sole discretion the customer does not satisfy the applicable requirements.

RECLASSIFICATION BASED ON DEMAND HISTORY

KPUB may reclassify a customer to a higher commercial rate class if the customer's maximum demand exceeds the applicable threshold in any three (3) billing months during any rolling twelve (12) month period. Reclassification may be made effective beginning with the next billing cycle following the qualifying demand history, or such other date as KPUB determines is administratively practical. If a customer is reclassified to a higher class, the customer shall remain in the higher class until KPUB determines that the customer has demonstrated, to KPUB's satisfaction, that the customer's demand no longer supports the higher classification.

NOTICE AND REVIEW

Before any reclassification becomes effective, KPUB shall provide written notice stating the basis for the proposed class change. The customer may request review within 15 days after notice is sent. Upon timely request, KPUB shall review the customer's applicable billing records, meter data, and relevant information submitted by the customer. The customer may present credible evidence that the recorded demand was not representative due to abnormal operating conditions, temporary equipment changes, meter malfunction, vacancy, shutdown, construction, or similar circumstances. After consideration of all the information it has reviewed, KPUB shall issue its determination in writing after review.

UTILITY ADMINISTRATION

Notwithstanding any other provision of these Tariffs, KPUB shall not be liable for damages, claims, or losses arising from the placement of a customer into a particular commercial rate class, a good-faith billing correction, customer reclassification, an estimate, or any billing adjustment.

SMALL COMMERCIAL SERVICE
RATE SCHEDULE - SCS

APPLICATION
Applicable throughout the service area to all electric service required for lighting, power and any other purpose, other than residential service as defined in Rate Schedule – RS, where the maximum demand is less than 25kW.

Not applicable to standby, shared, or resale service.

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

MONTHLY RATE

CHARGE			*AMOUNT*
CUSTOMER CHARGE			$33.00
DISTRIBUTION	Energy	All kWh	$0.02112 per kWh
POWER SUPPLY		All kWh	$0.04443 per kWh

Plus an amount calculated in accordance with Rider PCAF.
Plus any taxes, assessments, or surcharges imposed by any governmental authority, which are assessed on the basis of revenues from electric service or volume of electricity purchased or sold.

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

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

MEDIUM COMMERCIAL SERVICE
RATE SCHEDULE - MCS

APPLICATION
Applicable throughout the service area to all electric service required for lighting, power and any other purpose, other than residential service as defined in Rate Schedule – RS where the maximum demand is 25kW or greater, but less than 400kW.

Not applicable to standby, shared, or resale service.

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

MONTHLY RATE

CHARGE			*AMOUNT*
CUSTOMER CHARGE			$33.00
DISTRIBUTION	Energy	All kWh	$0.01672 per kWh
	Demand	All kW	$1.50 per kW
POWER SUPPLY		All kWh	$0.04443 per kWh

Plus an amount calculated in accordance with Rider PCAF.

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

DEMAND DETERMINATION
The billing demand each month shall be the greater of:

a) The highest kW recorded at the point of delivery in any 30 minute period during the current month
b) 70% of the highest billing demand during the immediately preceding 11 months

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

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

PAYMENT

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

AGREEMENT

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

LARGE COMMERCIAL SERVICE
RATE SCHEDULE – LCS

APPLICATION

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

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

CHARACTER OF SERVICE

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

MONTHLY RATE

CHARGE			*AMOUNT*	
			Secondary Voltage (LCS-S)	**Primary Voltage (LCS-P)**
CUSTOMER CHARGE			$275.00	$275.00
DISTRIBUTION	Energy	All kWh	$0.00580 per kWh	$0.00501 per kWh
	Demand	All kW	$8.00 per kW	$8.00 per kW
POWER SUPPLY		All kWh	$0.03643 per kWh	$0.03493 per kWh

Plus an amount calculated in accordance with Rider PCA.

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

DEMAND DETERMINATION

The billing demand each month shall be the greater of:

a) The highest kW recorded at the point of delivery in any 30 minute period during the current month
b) 70% of the highest billing demand during the immediately preceding 11 months
c) 325 kW

d) 50% of the contract kW specified in the Agreement for Electric Service (waived after two years).

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

MINIMUM CHARGE

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

PAYMENT

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

AGREEMENT

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

POWER COST ADJUSTMENT
RIDER PCA

APPLICATION
Applicable to all rate schedules which include sales of electric energy through kWh billing.

The monthly bill for power supply charges computed in accordance with the appropriate electric rate schedule shall be increased or decreased by the Power Cost Adjustment (PCA). The PCA is a charge per kWh that is used to ensure an adequate revenue stream to cover all power and transmission costs.

METHOD OF CALCULATION
The Power Cost Adjustment (PCA) is calculated for the current billing month using the following formulas:

Power Cost Adjustment Formulas:

Primary Voltage PCA $$\frac{((A+B+C)-F)/(D+E)}{1-G}$$

Secondary Voltage PCA $$\frac{((A+B+C)-F)/(D+E)}{1-H}$$

	Description
A	Base Year (FY2025) Actual Power Cost
B	+/- Adjustment to maintain stable rates
C	+/- Adjustment for current year prices
D	Base Year (FY2025) Actual kWh Sales
E	+/- Adjustment for current year kWh sales
F	2025 Rate Study Fixed Power Supply Costs (Debt + Transmission)
G	Assumed Loss - Primary Voltage
H	Assumed Loss - Secondary Voltage

Rates may be stabilized through over- or under-collection of power supply costs and transfers to and from the Rate Stabilization Fund within limits established by Resolution of the Kerrville Public Utility Board.

The PCA and Power Supply Charge are expressed as $/kWh and shall both be calculated to the nearest $.00001.

BILLING

Selection of Rate Schedule

Except as otherwise provided for commercial rate classes, Customer is solely responsible for the selection of the applicable rate schedule most favorable to Customer.

Disputed Bills

When a customer believes that the amount of any bill rendered by KPUB for service of electricity is in error, the Customer should:

1. request an explanation of the bill from the electric utility office of KPUB and if this does not resolve the matter,
2. request in writing, an investigation of the matter, setting forth all information relative to the dispute and enclosing with the request an amount equal to the Customer's average monthly usage at current rates based on the preceding twelve-month period.

KPUB will investigate the matter promptly and communicate, in writing, its findings to the Customer. Any amount overpaid by the customer shall be refunded or credited to his account. Any balance still owing by the Customer will be due immediately. If the customer is still not satisfied, a complaint can be filed with KPUB. Should this occur, the customer shall not be required to pay the disputed portion if the bill which exceeds the amount of that Customer's average monthly usage at current rates pending the completion of the determination of the dispute, but in no event more than 60 days.

KPUB will not discontinue service nor will the Customer's credit be impaired during such investigation. The customer does not waive any rights he may have by following the procedure set out above.

Payment Of Bill

Bills for service will be based upon the metered consumption, or estimated consumption if no meter reading is taken, as billed under the applicable rate schedule. They will be rendered at regular intervals, and are due and payable within sixteen(16) days from the date of issuance of the bill. The Customer will pay the net amount of the bill if paid on or before the due date. All other bills are due on presentation.

Payment of charges for connection or reconnection of service and payments of initial deposits or reinstated deposits as required under these Rules shall be made before service will be connected or reconnected.

Deferred Payment Plan

If a Customer who has not been delinquent more than twice in the past 12 months expresses inability to pay a bill, a deferred payment plan can be entered into. Under such plan, a

customer can spread payment of the current bill over three months but agrees to pay future bills as due. If, during the term of the deferred payment plan, the Customer's economic or financial circumstances change, the plan may be renegotiated. A penalty of five percent (5%) may be included in the deferred payment plan for late payment, but no finance charge will be included. Noncompliance with the terms of the deferred payment plan is cause for discontinuance of service.

Billing Periods

KPUB will read its meters at regularly scheduled periods. When for any reason the periods covered by such readings are substantially greater or less than the regular periods, bills may be computed by prorating on the basis of the regularly scheduled period covered by the meter readings.

Bills for electric service shall be rendered monthly unless service is rendered for a period of less than a month. Bills shall be rendered as promptly as possible following the reading of meters.

Estimating Bills

In the event that the scheduled reading of meters is not possible KPUB will estimate the consumption, and will render an appropriately marked estimated bill for the period involved. The bill so provided shall have the same force and effect as if they were based on actual meter readings, and shall be paid in accordance with the terms of the applicable rate schedule and Rules. An actual reading must be taken at least every three months.

Form of Bills

The Customer's bill shall show all the following information:

1. Bills based on meter readings obtained by KPUB shall show the period in which consumption occurred, the meter reading date of such period and the reading of the meter at the beginning and at the end of the period for which the bill is rendered;
2. The number and kind of units metered;
3. The applicable rate schedule, title or code;
4. The total amount due for services provided after addition of any penalty;
5. The monthly Power Cost Adjustment Factor;
6. The date by which the Customer must pay the bill in order to avoid additional billing;
7. A distinct marking to identify an estimated bill;
8. Any conversions from meter reading units to billing units, or any other calculations to determine billing units from recording or other devices, or any other factors used in determining the bill; and
9. The information appearing on the bill shall be sufficient to allow the Customer to readily compute his bill after references to the applicable rate schedule, which shall be provided to the Customer on request.

Level Payment Plan

A residential Customer may qualify for an level or average payment plan if the Customer has not been delinquent more than twice in the last 12 months. The level monthly payment shall be calculated as one-twelfth the sum of the Customer's previous 12 months consumption or estimated annual consumption applied to the current rate schedule.

The level monthly payment calculated may be adjusted quarterly for actual usage.

Adjustment of Bills for Meter Error

If a Customer believes that a meter is registering inaccurately, he may request a test to be performed during normal business hours at a time to be determined by KPUB. Such determination shall accommodate the convenience of the Customer if the Customer or his duly authorized representative desires to observe the test.

The test shall be made on the Customer's premises or at KPUB's discretion, at a test laboratory. When a meter test is performed upon request by the Customer in accordance with the foregoing, such test shall be made at no cost to the Customer, however, if the meter has been tested by KPUB, or by an authorized agency, at the Customer's request, and within a period of four years the Customer requests a new test, KPUB shall make the test, but if the meter is found to be within the accuracy standards established by the American National Standards Institute, KPUB may charge the Customer a fee which reflects the cost to test the meter. If the meter is found to be registering inaccurately, KPUB will assume the cost of the test and will adjust the Customer's bill for the effect of the error. Following the completion of any requested test, KPUB shall promptly advise the Customer of the date of the removal of the meter, the date of the test, the result of the test, and who made the test.

If any meter is found to be outside of the accuracy standards established by the American National Standards Institute, proper correction shall be made of previous readings for the period of six months immediately preceding the removal of such meter from service for the test, or from the time the meter was in service since last tested, but not exceeding six months, as the meter shall have been shown to be in error by such test, and adjusted bills shall be rendered. No refund shall be made by KPUB except to the Customer last served by the meter prior to the testing. If a meter is found not to register for any period, unless bypassed or tampered with, KPUB shall make a charge for units used, but not metered, for a period not to exceed three months based on amounts used under similar conditions during the period preceding or subsequent thereto, or during corresponding periods in previous years.

Metered Consumption Not Combined

For the purpose of calculating charges, each meter on the Customer's premises will be considered separately, and the consumption recorded by two or more meters will not be combined except as follows:

1. Where the combination of metered consumption is specifically provided for in the rate schedule.
2. Where the maintenance of adequate service and/or where KPUB's operating convenience shall require the installation of two or more meters upon the Customer's premises instead of one meter.

Overbilling and Underbilling

If billing is found to be in error, a billing adjustment shall be calculated by KPUB.

If Customer was undercharged, KPUB may backbill to collect such undercharges for billings not older than six months unless the undercharge is the result of meter tampering as defined by these Rules or unless KPUB produces records identifying and justifying additional backbilling. If underbilling is not related to meter tampering, KPUB may offer Customer a level payment plan for the same length of time as that of the underbilling.

If Customer was overcharged, KPUB shall refund Customer the full amount for the entire period of overbilling.

DISCONTINUANCE OF ELECTRIC SERVICE

Customer Discontinues Electric Service

A Customer may request service to be disconnected at any time unless there is a provision to the contrary in the service contract or applicable rate schedule. The Customer is responsible for any use of the electric service until KPUB has had a reasonable time to secure a final reading or to remove the meter.

KPUB is not obligated, after discontinuance, to again provide electric service to Customer at the same service location unless Customer reapplies for and KPUB agrees to provide electric service.

KPUB Discontinues Electric Service

KPUB, in addition to all other legal remedies, may discontinue electric service to Customer without liability for any of the following reasons:

Discontinuance with Notice

1. Non-Payment of Bills or non-compliance with deferred payment plan
   Service may be discontinued by KPUB for failure of the Customer to pay bills in accordance with these Rules if a termination notice is given after the due date and twenty-six (26) days have elapsed from the date of issuance of the bill. Customers who have elected paperless billing may receive termination notices electronically in lieu of a mailed notice.

2. Failure to comply with the terms of the Agreement for Electric Service, Special Contract, the Application for Electric Service, these Rules, or the rate schedule under which the Customer is receiving electric service.

3. Failure to comply with the terms of or make payment of required deposits or other charges as required by this Tariff for Electric Service.

4. Violation of these Rules pertaining to use of service in a manner which interferes with the service of others or the operation of non-standard equipment, if a reasonable attempt has been made to notify the Customer and the Customer is provided with a reasonable opportunity to remedy the situation.

COMMERCIAL SERVICE
RATE SCHEDULE - CS

APPLICATION

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

Not applicable to standby, shared, or resale service.

CHARACTER OF SERVICE

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

MONTHLY RATE

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

Plus an amount calculated in accordance with Rider PCAF.

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

DEMAND DETERMINATION

The billing demand each month shall be the greater of:

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

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

~~MINIMUM CHARGE~~

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

~~PAYMENT~~

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

~~AGREEMENT~~

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

REQUIREMENTS FOR COMMERCIAL RATE CLASSIFICATIONS SCS, MCS, LCS

APPLICATION

The following requirements apply to Small Commercial Service (SCS), Medium Commercial Service (MCS), and Large Commercial Service (LCS). These provisions are cumulative and in addition to all other applicable provisions.

INITIAL RATE CLASS ASSIGNMENT

At the time an application for service is received, KPUB will assign each commercial customer to the rate class that, in KPUB's judgment, best reflects the customer's expected demand and service characteristics, based on the information reasonably available to KPUB. KPUB may, in its sole discretion, consider expected load, connected load, business type, operating hours, equipment, premises size, prior utility records, and other relevant information.

CUSTOMER REQUEST FOR CLASS ASSIGNMENT

A customer may request assignment to a particular commercial rate class. The request shall be in writing and supported by information reasonably requested by KPUB. KPUB may approve or deny the request based on the customer's eligibility under this Tariff. No customer has a right to remain in, or be placed in, a rate class for which KPUB determines in its sole discretion the customer does not satisfy the applicable requirements.

RECLASSIFICATION BASED ON DEMAND HISTORY

KPUB may reclassify a customer to a higher commercial rate class if the customer's maximum demand exceeds the applicable threshold in any three (3) billing months during any rolling twelve (12) month period. Reclassification may be made effective beginning with the next billing cycle following the qualifying demand history, or such other date as KPUB determines is administratively practical. If a customer is reclassified to a higher class, the customer shall remain in the higher class until KPUB determines that the customer has demonstrated, to KPUB's satisfaction, that the customer's demand no longer supports the higher classification.

NOTICE AND REVIEW

Before any reclassification becomes effective, KPUB shall provide written notice stating the basis for the proposed class change. The customer may request review within 15 days after notice is sent. Upon timely request, KPUB shall review the customer's applicable billing records, meter data, and relevant information submitted by the customer. The customer may present credible evidence that the recorded demand was not representative due to abnormal operating conditions, temporary equipment changes, meter malfunction, vacancy, shutdown, construction, or similar

circumstances. After consideration of all the information it has reviewed, KPUB shall issue its determination in writing after review.

UTILITY ADMINISTRATION

Notwithstanding any other provision of these Tariffs, KPUB shall not be liable for damages, claims, or losses arising from the placement of a customer into a particular commercial rate class, a good-faith billing correction, customer reclassification, an estimate, or any billing adjustment.

SMALL COMMERCIAL SERVICE

RATE SCHEDULE - SCS

APPLICATION

Applicable throughout the service area to all electric service required for lighting, power and any other purpose, other than residential service as defined in Rate Schedule – RS, where the maximum demand is less than 25kW.

Not applicable to standby, shared, or resale service.

CHARACTER OF SERVICE

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

MONTHLY RATE

CHARGE			***AMOUNT***
CUSTOMER CHARGE			$33.00
DISTRIBUTION	Energy	All kWh	$0.02112 per kWh
POWER SUPPLY		All kWh	$0.04443 per kWh

Plus an amount calculated in accordance with Rider PCAF.
Plus any taxes, assessments, or surcharges imposed by any governmental authority, which are assessed on the basis of revenues from electric service or volume of electricity purchased or sold.

MINIMUM CHARGE

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

PAYMENT

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

MEDIUM COMMERCIAL SERVICE

RATE SCHEDULE - MCS

APPLICATION

Applicable throughout the service area to all electric service required for lighting, power and any other purpose, other than residential service as defined in Rate Schedule – RS where the maximum demand is 25kW or greater, but less than 400kW.

Not applicable to standby, shared, or resale service.

CHARACTER OF SERVICE

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

MONTHLY RATE

CHARGE			***AMOUNT***
CUSTOMER CHARGE			$33.00
DISTRIBUTION	Energy	All kWh	$0.01672 per kWh
	Demand	All kW	$1.50 per kW
POWER SUPPLY		All kWh	$0.04443 per kWh

Plus an amount calculated in accordance with Rider PCAF.

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

DEMAND DETERMINATION

The billing demand each month shall be the greater of:

a) The highest kW recorded at the point of delivery in any 30 minute period during the current month
b) 70% of the highest billing demand during the immediately preceding 11 months

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

MINIMUM CHARGE

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

PAYMENT

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

AGREEMENT

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

LARGE COMMERCIAL SERVICE
RATE SCHEDULE – LCS

APPLICATION

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

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

CHARACTER OF SERVICE

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

MONTHLY RATE

CHARGE	*AMOUNT*	
	Secondary Voltage (LCS-S)	**Primary Voltage (LCS-P)**
CUSTOMER CHARGE	$275~~30~~.00	$275~~30~~.00

DISTRIBUTION	Energy	All kWh	$0.00582~~2~~0 per kWh	$0.00501~~287~~ per kWh
	Demand	All kW	$8.00~~7.50~~ per kW	$8.00~~7.50~~ per kW
POWER SUPPLY		All kWh	$0.03643~~351~~ per kWh	$0.03493~~030~~ per kWh

Plus an amount calculated in accordance with Rider PCAF.

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

DEMAND DETERMINATION

The billing demand each month shall be the greater of:

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

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

MINIMUM CHARGE

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

PAYMENT

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

AGREEMENT

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

POWER COST ADJUSTMENT FACTOR
RIDER PCAF

APPLICATION

Applicable to all rate schedules which include sales of electric energy through kWh billing.

The monthly bill for power supply charges computed in accordance with the appropriate electric rate schedule shall be increased or decreased to account for variances in purchased power expense from that amount included in each electric rate schedule. The Power Supply Charge in each rate schedule shall be multiplied by the Power Cost Adjustment Factor (PCAF) as calculated below on a monthly basis.

METHOD OF CALCULATION

The Power Cost Adjustment Factor (PCAF) is calculated for the current billing month for the system. The formula for determining the PCAF is:

$$PCAF = \frac{((C \pm A)/S)}{0.03969}$$

C = Total Purchased Power Supply costs for the preceding month.

S = Total estimated retail energy sales in kWh for the current month as approved in the annual budget.

A = Adjustment to:

1. Correct for the difference between the actual Purchase Power Supply costs and Power Supply Charge revenues of the previous month;
2. Stabilize rates through over- or under-collection of power supply costs and transfers to and from the Rate Stabilization Fund within limits established by Resolution of the Kerrville Public Utility Board.

The PCAF is calculated to the nearest .000001.

The Power Supply Charge adjusted by the PCAF shall be calculated to the nearest .00001

POWER COST ADJUSTMENT

RIDER PCA

APPLICATION

Applicable to all rate schedules which include sales of electric energy through kWh billing.

The monthly bill for power supply charges computed in accordance with the appropriate electric rate schedule shall be increased or decreased by the Power Cost Adjustment (PCA). The PCA is a charge per kWh that is used to ensure an adequate revenue stream to cover all power and transmission costs.

METHOD OF CALCULATION

The Power Cost Adjustment (PCA) is calculated for the current billing month using the following formulas:

Power Cost Adjustment Formulas:

Primary Voltage PCA $\dfrac{((A+B+C)-F)/(D+E)}{1-G}$

Secondary Voltage PCA $\dfrac{((A+B+C)-F)/(D+E)}{1-H}$

	Description
A	Base Year (FY2025) Actual Power Cost
B	+/- Adjustment to maintain stable rates
C	+/- Adjustment for current year prices
D	Base Year (FY2025) Actual kWh Sales
E	+/- Adjustment for current year kWh sales
F	2025 Rate Study Fixed Power Supply Costs (Debt + Transmission)
G	Assumed Loss - Primary Voltage
H	Assumed Loss - Secondary Voltage

Rates may be stabilized through over- or under-collection of power supply costs and transfers to and from the Rate Stabilization Fund within limits established by Resolution of the Kerrville Public Utility Board.

The PCA and Power Supply Charge are expressed as $/kWh and shall both be calculated to the nearest $.00001.

BILLING

Selection of Rate Schedule

Except as otherwise provided for commercial rate classes, Customer is solely responsible for the selection of the applicable rate schedule most favorable to Customer.

Disputed Bills

When a customer believes that the amount of any bill rendered by KPUB for service of electricity is in error, the Customer should:

1. request an explanation of the bill from the electric utility office of KPUB and if this does not resolve the matter,
2. request in writing, an investigation of the matter, setting forth all information relative to the dispute and enclosing with the request an amount equal to the Customer's average monthly usage at current rates based on the preceding twelve-month period.

KPUB will investigate the matter promptly and communicate, in writing, its findings to the Customer. Any amount overpaid by the customer shall be refunded or credited to his account. Any balance still owing by the Customer will be due immediately. If the customer is still not satisfied, a complaint can be filed with KPUB. Should this occur, the customer shall not be required to pay the disputed portion if the bill which exceeds the amount of that Customer's average monthly usage at current rates pending the completion of the determination of the dispute, but in no event more than 60 days.

KPUB will not discontinue service nor will the Customer's credit be impaired during such investigation. The customer does not waive any rights he may have by following the procedure set out above.

Payment Of Bill

Bills for service will be based upon the metered consumption, or estimated consumption if no meter reading is taken, as billed under the applicable rate schedule. They will be rendered at regular intervals, and are due and payable within sixteen(16) days from the date of issuance of the bill. The Customer will pay the net amount of the bill if paid on or before the due date. All other bills are due on presentation.

Payment of charges for connection or reconnection of service and payments of initial deposits or reinstated deposits as required under these Rules shall be made before service will be connected or reconnected.

Deferred Payment Plan

If a Customer who has not been delinquent more than twice in the past 12 months expresses inability to pay a bill, a deferred payment plan can be entered into. Under such plan, a customer can spread payment of the current bill over three months but agrees to pay future bills as due. If, during the term of the deferred payment plan, the Customer's economic or financial circumstances change, the plan may be renegotiated. A penalty of five percent (5%) may be included in the deferred payment plan for late payment, but no finance charge will be included. Noncompliance with the terms of the deferred payment plan is cause for discontinuance of service.

Billing Periods

KPUB will read its meters at regularly scheduled periods. When for any reason the periods covered by such readings are substantially greater or less than the regular periods, bills may be computed by prorating on the basis of the regularly scheduled period covered by the meter readings.

Bills for electric service shall be rendered monthly unless service is rendered for a period of less than a month. Bills shall be rendered as promptly as possible following the reading of meters.

Estimating Bills

In the event that the scheduled reading of meters is not possible KPUB will estimate the consumption, and will render an appropriately marked estimated bill for the period involved. The bill so provided shall have the same force and effect as if they were based on actual meter readings, and shall be paid in accordance with the terms of the applicable rate schedule and Rules. An actual reading must be taken at least every three months.

Form of Bills

The Customer's bill shall show all the following information:

1. Bills based on meter readings obtained by KPUB shall show the period in which consumption occurred, the meter reading date of such period and the reading of the meter at the beginning and at the end of the period for which the bill is rendered;
2. The number and kind of units metered;
3. The applicable rate schedule, title or code;
4. The total amount due for services provided after addition of any penalty;
5. The monthly Power Cost Adjustment Factor;
6. The date by which the Customer must pay the bill in order to avoid additional billing;
7. A distinct marking to identify an estimated bill;
8. Any conversions from meter reading units to billing units, or any other calculations to determine billing units from recording or other devices, or any other factors used in determining the bill; and

9. The information appearing on the bill shall be sufficient to allow the Customer to readily compute his bill after references to the applicable rate schedule, which shall be provided to the Customer on request.

Level Payment Plan

A residential Customer may qualify for an level or average payment plan if the Customer has not been delinquent more than twice in the last 12 months. The level monthly payment shall be calculated as one-twelfth the sum of the Customer's previous 12 months consumption or estimated annual consumption applied to the current rate schedule.

The level monthly payment calculated may be adjusted quarterly for actual usage.

Adjustment of Bills for Meter Error

If a Customer believes that a meter is registering inaccurately, he may request a test to be performed during normal business hours at a time to be determined by KPUB. Such determination shall accommodate the convenience of the Customer if the Customer or his duly authorized representative desires to observe the test.

The test shall be made on the Customer's premises or at KPUB's discretion, at a test laboratory. When a meter test is performed upon request by the Customer in accordance with the foregoing, such test shall be made at no cost to the Customer, however, if the meter has been tested by KPUB, or by an authorized agency, at the Customer's request, and within a period of four years the Customer requests a new test, KPUB shall make the test, but if the meter is found to be within the accuracy standards established by the American National Standards Institute, KPUB may charge the Customer a fee which reflects the cost to test the meter. If the meter is found to be registering inaccurately, KPUB will assume the cost of the test and will adjust the Customer's bill for the effect of the error. Following the completion of any requested test, KPUB shall promptly advise the Customer of the date of the removal of the meter, the date of the test, the result of the test, and who made the test.

If any meter is found to be outside of the accuracy standards established by the American National Standards Institute, proper correction shall be made of previous readings for the period of six months immediately preceding the removal of such meter from service for the test, or from the time the meter was in service since last tested, but not exceeding six months, as the meter shall have been shown to be in error by such test, and adjusted bills shall be rendered. No refund shall be made by KPUB except to the Customer last served by the meter prior to the testing. If a meter is found not to register for any period, unless bypassed or tampered with, KPUB shall make a charge for units used, but not metered, for a period not to exceed three months based on amounts used under similar conditions during the period preceding or subsequent thereto, or during corresponding periods in previous years.

Metered Consumption Not Combined

For the purpose of calculating charges, each meter on the Customer's premises will be considered separately, and the consumption recorded by two or more meters will not be combined except as follows:

1. Where the combination of metered consumption is specifically provided for in the rate schedule.
2. Where the maintenance of adequate service and/or where KPUB's operating convenience shall require the installation of two or more meters upon the Customer's premises instead of one meter.

Overbilling and Underbilling

If billing is found to be in error, a billing adjustment shall be calculated by KPUB.

If Customer was undercharged, KPUB may backbill to collect such undercharges for billings not older than six months unless the undercharge is the result of meter tampering as defined by these Rules or unless KPUB produces records identifying and justifying additional backbilling. If underbilling is not related to meter tampering, KPUB may offer Customer a level payment plan for the same length of time as that of the underbilling.

If Customer was overcharged, KPUB shall refund Customer the full amount for the entire period of overbilling.

DISCONTINUANCE OF ELECTRIC SERVICE

Customer Discontinues Electric Service

A Customer may request service to be disconnected at any time unless there is a provision to the contrary in the service contract or applicable rate schedule. The Customer is responsible for any use of the electric service until KPUB has had a reasonable time to secure a final reading or to remove the meter.

KPUB is not obligated, after discontinuance, to again provide electric service to Customer at the same service location unless Customer reapplies for and KPUB agrees to provide electric service.

KPUB Discontinues Electric Service

KPUB, in addition to all other legal remedies, may discontinue electric service to Customer without liability for any of the following reasons:

Discontinuance with Notice

1. Non-Payment of Bills or non-compliance with deferred payment plan
   Service may be discontinued by KPUB for failure of the Customer to pay bills in accordance with these Rules if a termination notice is given after the due date and twenty-six (26) days have elapsed from the date of issuance of the bill. Customers who have elected paperless billing may receive termination notices electronically in lieu of a mailed notice.

2. Failure to comply with the terms of the Agreement for Electric Service, Special Contract, the Application for Electric Service, these Rules, or the rate schedule under which the Customer is receiving electric service.

3. Failure to comply with the terms of or make payment of required deposits or other charges as required by this Tariff for Electric Service.

4. Violation of these Rules pertaining to use of service in a manner which interferes with the service of others or the operation of non-standard equipment, if a reasonable attempt has been made to notify the Customer and the Customer is provided with a reasonable opportunity to remedy the situation.

Discontinuance without Notice

1. Misrepresentation
   KPUB may discontinue service without notice upon the discovery that the Customer has made a misrepresentation to KPUB regarding the application for or use of electric service or has in any manner misrepresented same as determined by any authority having jurisdiction. Compliance with any such determination, order, or directive will relieve KPUB from any liability associated with the discontinuance of service. Payment of all amounts for which KPUB has not been compensated, including interest and other charges incurred in rendering service to the Customer whether or not specifically stated in the applicable rate schedule, shall be due and payable at the time of discontinuance of service.

2. Dangerous condition
   KPUB may discontinue electric service without notice upon discovery by any manner of a hazardous condition for as long as the condition exists.

3. Unlawful use of service
   KPUB may discontinue service without notice where service is connected without KPUB authorization by a person who has not made application, or who has reconnected service without KPUB authorization following termination of service for non-payment, or in instances of tampering with KPUB's metering or other equipment, bypassing the same or other instances of diversion of service, or evidence of attempted tampering or diversion, or service is determined by an authority having jurisdiction to be unlawfully connected or used.

   Compliance with any such determination, order , or directive will relieve KPUB from any liability associated with the discontinuance of service. Payment of all amounts for which KPUB has not been compensated , including interest and other charges incurred in rendering service to the Customer whether or not specifically stated in the applicable rate schedule, shall be due and payable at the time of discontinuance of service.

   In cases of meter tampering or bypassing of meter, electric energy consumed, but not metered, may be estimated by KPUB based on amounts used under similar conditions during preceding years. Where no previous usage history exists or is considered unreliable due to meter tampering or bypassing of meter,