



# ***RAC WORKING GROUP: REVENUE USES – O&M AND CAPITAL***

*PRESENTED BY:*

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*Informational Update*



# EVALUATION PROCESS



- A full budgeting process is conducted every single year
- First, we develop a **A** revenue forecast (estimated units to be sold x price)
- Second, we develop a comprehensive view of our **B** revenue requirements
  - The budget is the sum of all the costs we expect to incur in the future
  - The budget represents the level of funding we need to receive as revenue

**If** **A** < **B**

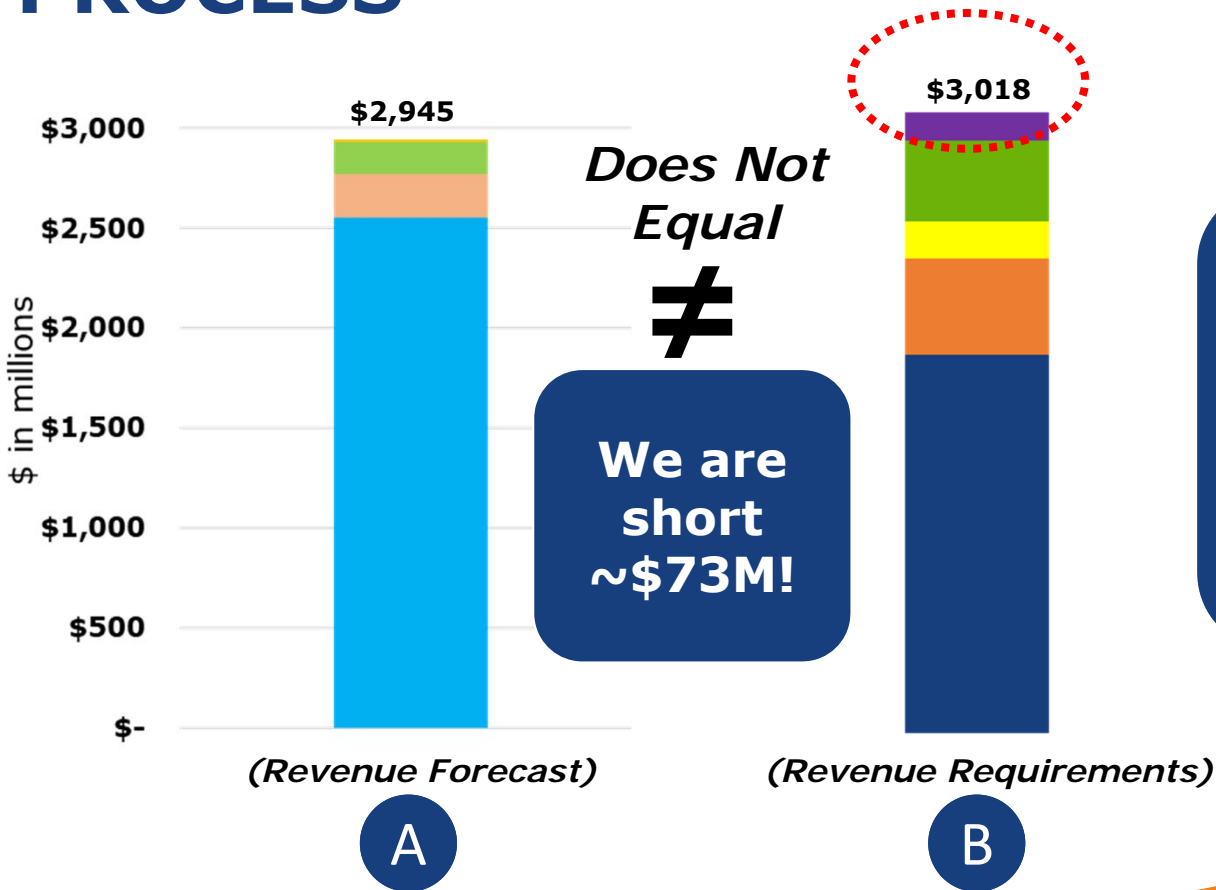
*Look for ways to cut cost  
(i.e., decrease budget)*

**- OR -**

*Increase revenue by  
raising rates*

# RESULTS OF EVALUATION PROCESS

Updated Revenue Forecast



Our revenue requirements also reduced further reducing the amount of rate support needed.



# USES OF REVENUE

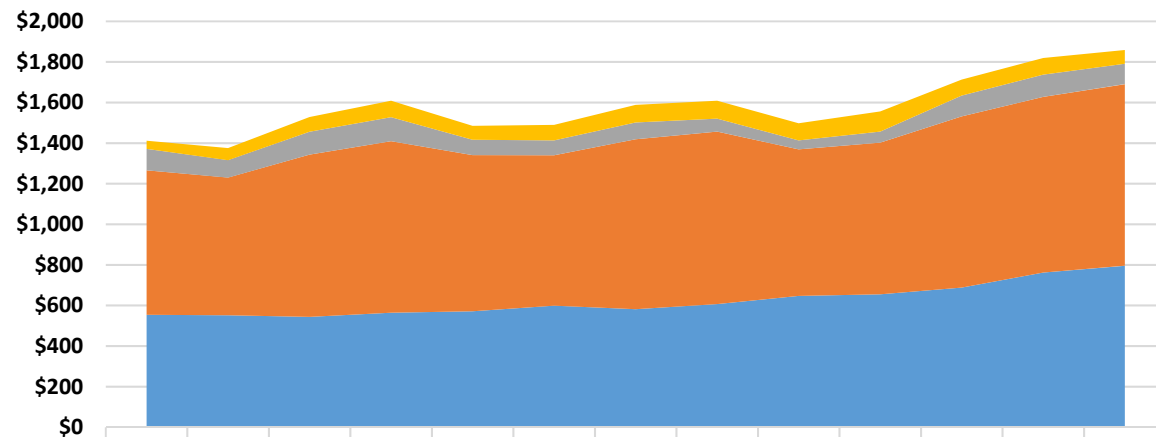
## NON-FUEL O&M BEFORE



*Our focus will be on Non-Fuel O&M. The other 3 categories are pass-thrus to our customers through the fuel & regulatory adjustments.*



\$ in millions



	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Regulatory / Other	39.9	59.0	72.3	81.1	68.5	76.9	86.3	87.7	84.4	99.0	79.1	81.4	67.6
Distribution Gas	105.9	86.1	113.2	118.9	75.5	72.8	83.0	63.8	43.7	54.1	102.0	109.8	100.6
Electric Fuel Expense	712.0	678.6	799.0	844.8	770.0	741.3	837.6	850.0	722.0	747.5	844.2	865.6	894.7
Non-Fuel O&M	\$553.6	\$551.2	\$543.8	\$564.1	\$570.7	\$598.7	\$581.0	\$606.9	\$647.1	\$654.9	\$687.5	\$762.0	\$795.7

■ Non-Fuel O&M ■ Electric Fuel Expense ■ Distribution Gas ■ Regulatory / Other

# USES OF REVENUE

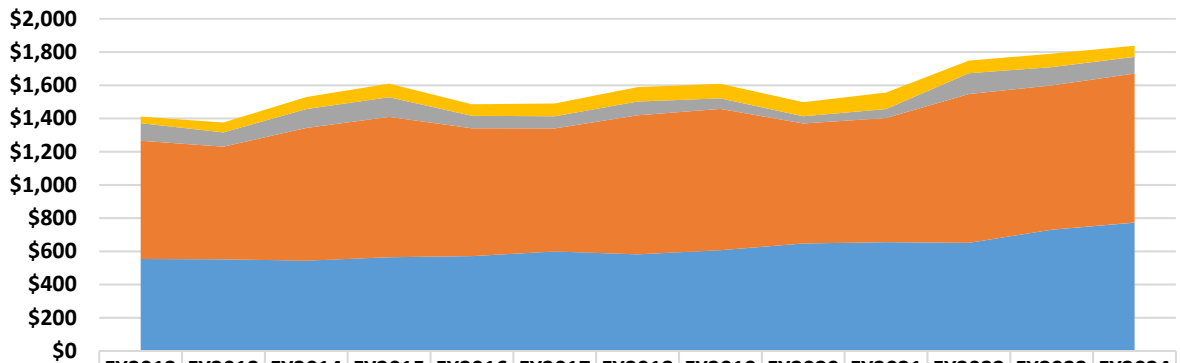
## NON-FUEL O&M AFTER



*We've reduced Non-Fuel O&M by \$32.3M in FY2023 & 22.7M in FY2024 by focusing on projects that are known, reasonable & justifiable!*



\$ in millions



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Non-Fuel O&M	\$553.6	\$551.2	\$543.8	\$564.1	\$570.7	\$598.7	\$581.0	\$606.9	\$647.1	\$654.9	\$650.7	\$729.7	\$773.0

■ Non-Fuel O&M ■ Electric Fuel Expense ■ Distribution Gas ■ Regulatory / Other

**We listened to both the RAC and the City and reduced O&M expenses.**

# SO WHAT'S CHANGED?



Change	FY2023	FY2024
Labor Reductions		
• Market Evaluations	\$3,591	\$ 0
• Headcount Ramp-up	7,626	2,027
• Overheads – Pension Assumptions	14,716	14,288
Outside Services		
• Digital ERP	(756)	(1,309)
• Portfolio Projects	1,500	1,500
• Covid Provisions	3,000	
• Smart Grid & Travel Expense		3,500
• Vegetation Management	(2,000)	(2,000)
• Other Projects	4,616	4,677
<b>TOTAL SAVINGS</b>	<b>32,293</b>	<b>22,683</b>

**We looked at O&M differently & reduced it \$32M in FY2023.**

# CAPITAL PLAN BEFORE

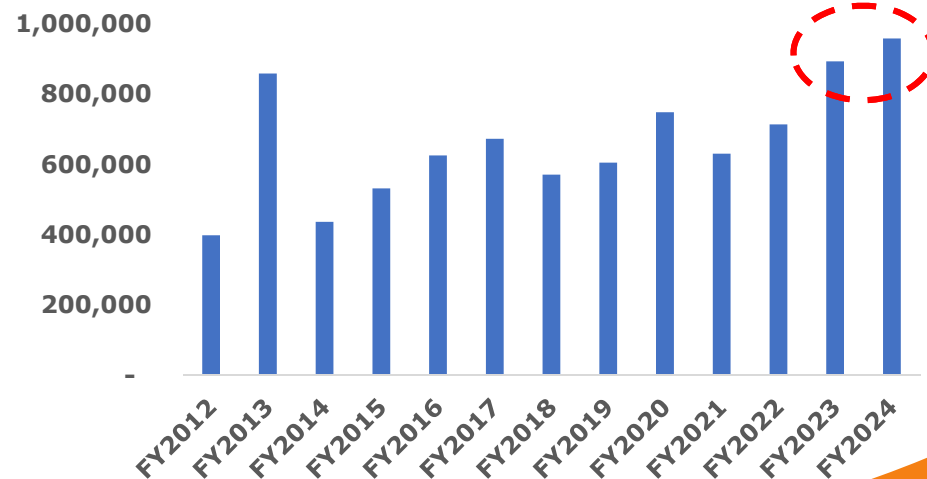


- *Since our last rate increase, our capital plan has averaged ~\$650M/year.*
- *However, FY 2023 & FY2024 projected to be \$893M & \$959M, respectively.*

Increases driven by:

- Generation Enhancements **(including weatherization)**
- Technology
- Customer Growth
- Gas Infrastructure
- Electric Infrastructure

**Capital Summary**



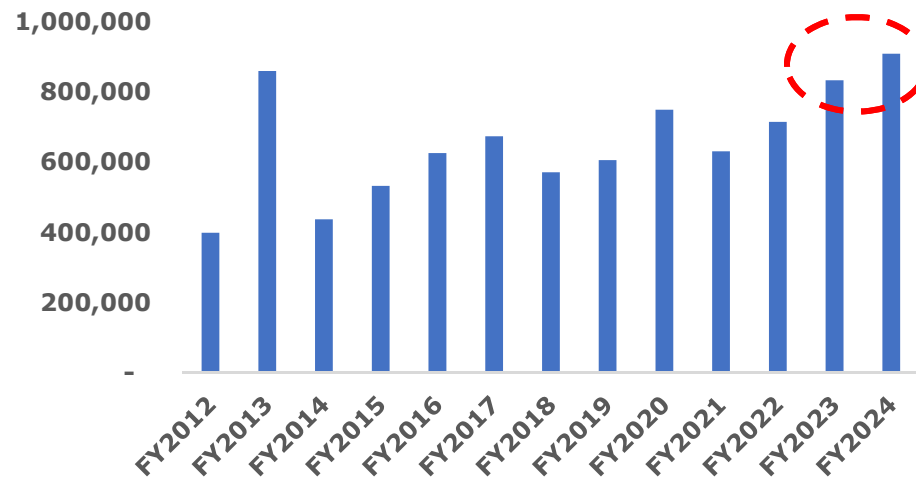
# CAPITAL PLAN AFTER



We've analyzed & scrubbed every capital project. We took a different approach than our traditional process. We pulled out future generation projects, Flex Bundle 2, gas conversions and long-term projects that might materialize in the next few years but are not solidified yet.

By only including projects that were known, reasonable and justifiable we have lowered our capital spend by \$60.6M for FY2023 & \$57.6M for FY2024!

**Capital Summary**



**We took a different approach & reduced Capital \$61M for FY 2023.**



# SO WHAT'S CHANGED?



Change	FY2023	FY2024
Plant Realignments	\$31,718	\$7,462
Technology		
• Data Center	7,575	
• Digital ERP	(1,060)	19,650
Flexible Path	5,080	5,080
Real Estate Master Plan	6,290	14,301
Other Projects	10,962	11,138

**We took a different approach & reduced and/or deferred \$60.6M of capital for FY 2023.**



*Thank You*

