Board of directors

Oct. 27, 2022
Proposed 2023 Strategic Budget update

Shelley Nywall, director of finance
Agenda

- Budget changes since work session
- Financial results
- Highlights – 2023 Strategic Budget
Budget changes since work session

• Increase in budget contingency
• Updates to revenues and production cost model
  • Wheeling and interest income
  • Coal and hydropower
• Refinements to departmental operations and maintenance expenses
• Updates to capital projects
Budget contingency

Reserved to the board
Proposed increase from 10% to 20%

Purpose
Expands the board’s ability to efficiently take advantage of unforeseen opportunities and cover unforeseen expenditures

Potential uses
• Fuel expense for sales for resale
• Forced outages and extreme weather events
• Emergency, scope, inflation or timing changes in projects and initiatives
• Uncertainties and volatility in organized energy markets

Unforeseen opportunities or expenditures
Requires board approval prior to use
No impact on rates in budget

$52 million contingency
Allowable under state budget law and reduces need for amendments
Based on 20% of operating expenses and capital additions
## Budget contingency

### Historic transfers

<table>
<thead>
<tr>
<th>Year</th>
<th>Contingency appropriation budget ($000)</th>
<th>Appropriated amount ($000)</th>
<th>Purpose of transfer (more details provided in the budget document)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$20,000</td>
<td>-</td>
<td>Capital projects and operating expenses (purchased power)</td>
</tr>
<tr>
<td>2015</td>
<td>$20,000</td>
<td>$6,640</td>
<td>Capital projects</td>
</tr>
<tr>
<td>2016</td>
<td>$20,000</td>
<td>$1,200</td>
<td>Capital projects</td>
</tr>
<tr>
<td>2017</td>
<td>$20,000</td>
<td>$1,100</td>
<td>Capital projects</td>
</tr>
<tr>
<td>2018</td>
<td>$23,000</td>
<td>-</td>
<td>Capital projects</td>
</tr>
<tr>
<td>2019</td>
<td>$23,000</td>
<td>$1,779</td>
<td>Capital projects</td>
</tr>
<tr>
<td>2020</td>
<td>$26,000</td>
<td>$1,282</td>
<td>Capital projects</td>
</tr>
<tr>
<td>2021</td>
<td>$28,000</td>
<td>$1,566</td>
<td>Operating expenses (fuel)</td>
</tr>
<tr>
<td>2022</td>
<td>$24,000</td>
<td>$16,700</td>
<td>Operating expenses $9.4 M and capital projects $7.3 M</td>
</tr>
<tr>
<td>2023</td>
<td>$52,000</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

(1) Prior to 2018, the budgeted contingency was a fixed amount.
(2) Projected as of September. Staff is monitoring and will determine a not-to-exceed request for the December 2022 board of directors meeting.

**2022 estimate**

Fuel $18.5 M above budget offset by below-budget purchased power, DER and other expenses $9.1 M
Expenditures exceed budget

If expenditures exceed budget in a current year, below are the potential actions taken to cover the additional expenditure.

• Budget implications (actual expenditures cannot exceed budget)
  • Manage overall expenditures within existing budget
  • Request board contingency transfer (notified throughout the year)
• Financial implications (if overall unfavorable)
  • Use cash reserves and deferred revenues to meet bond covenants
  • Request intra-year rate increase
## Budget changes since work session

<table>
<thead>
<tr>
<th>Category</th>
<th>Favorable/(Unfavorable) Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other revenues</strong> $0.5 million</td>
<td>![Icon] Other revenues $0.5 million ![Icon] Higher projected interest rates</td>
</tr>
<tr>
<td><strong>Operating expenses</strong> ($3.1 million)</td>
<td>![Icon] Operating expenses ($3.1 million) ![Icon] Increases: Nonroutine projects, monofill closure, market expenses, interconnection costs, contracted services, other departmental changes as more accurate information is available ![Icon] Decreases: Wheeling expenses, joint facilities and additional wages allocated to capital</td>
</tr>
<tr>
<td><strong>Purchased power</strong> $0.2 million</td>
<td>![Icon] Purchased power $0.2 million ![Icon] Updated rates for reserves and an updated forecast for reduced hydropower energy</td>
</tr>
<tr>
<td><strong>Contingency appropriation</strong> ($26 million)</td>
<td>![Icon] Contingency appropriation ($26 million) ![Icon] Increased from 10% to 20% of operating expenses and capital additions</td>
</tr>
<tr>
<td><strong>Wheeling</strong> $0.3 million</td>
<td>![Icon] Wheeling $0.3 million ![Icon] Updated assumptions and projected loads</td>
</tr>
<tr>
<td><strong>Fuel</strong> ($0.9 million)</td>
<td>![Icon] Fuel ($0.9 million) ![Icon] Coal prices and generation were updated with latest estimates</td>
</tr>
<tr>
<td><strong>Capital additions</strong> $5.2 million</td>
<td>![Icon] Capital additions $5.2 million ![Icon] Decreases: Pipeline reroute – Soldier Canyon Pipeline, 12.47 kV switchgear replacement – Rawhide, Craig units 1 and 2 projects, Subscription-based information technology arrangements ![Icon] Increases: Compliance management software, Market software – PCI GenManager, other new or refined projects</td>
</tr>
</tbody>
</table>
Financial results

<table>
<thead>
<tr>
<th>Strategic financial plan indicators</th>
<th>Target minimums</th>
<th>2022 budget</th>
<th>2023 budget</th>
<th>Increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income ($ millions)</td>
<td>$13.7</td>
<td>$22.4</td>
<td></td>
<td>63.5%</td>
</tr>
<tr>
<td>3% of projected operating expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed obligation charge coverage ratio</td>
<td>1.50x</td>
<td>2.03x</td>
<td>2.43x</td>
<td>19.7%</td>
</tr>
<tr>
<td>Debt ratio &lt;= 50%</td>
<td>28%</td>
<td>25%</td>
<td></td>
<td>(10.7%)</td>
</tr>
<tr>
<td>Unrestricted days cash on hand</td>
<td>200</td>
<td>381</td>
<td>414(2)</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

(1) 3% of projected operating expenses for 2022 and 2023 is $6.3 M and $7.1 million, respectively.
(2) Will change with the update to the 2022 estimate in the final budget document.

<table>
<thead>
<tr>
<th>Budget results ($ millions)</th>
<th>2022 budget</th>
<th>2023 budget</th>
<th>Increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$263.2</td>
<td>$305.0</td>
<td>15.9%</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$266.4</td>
<td>$278.3</td>
<td>4.5%</td>
</tr>
<tr>
<td>Board contingency (3)</td>
<td>$24.0(4)</td>
<td>$52.0</td>
<td>116.7%</td>
</tr>
</tbody>
</table>

(3) Contingency appropriation reflects an increase from 10% to 20% of operating expenses and capital additions.
(4) Contingency transfer to be determined later in the year.
## Financial impact

<table>
<thead>
<tr>
<th></th>
<th>Proposed budget</th>
<th>Prices &amp; model update impacts</th>
<th>Other O&amp;M net increase and contingency increase</th>
<th>Capital &amp; depreciation, amortization &amp; accretion impacts (1)</th>
<th>Favorable (unfavorable) changes</th>
<th>Updated proposed budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales to owner communities</td>
<td>$ 224,082</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 224,082</td>
</tr>
<tr>
<td>Sales for resale - long-term</td>
<td>14,889</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14,889</td>
</tr>
<tr>
<td>Sales for resale - short-term</td>
<td>53,584</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>53,584</td>
</tr>
<tr>
<td>Wheeling</td>
<td>5,884</td>
<td>$ 281</td>
<td></td>
<td></td>
<td></td>
<td>281</td>
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<tr>
<td>Interest and other income</td>
<td>5,711</td>
<td>569</td>
<td></td>
<td></td>
<td></td>
<td>569</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$ 304,150</td>
<td>$ 850</td>
<td></td>
<td></td>
<td></td>
<td>$ 305,000</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased power</td>
<td>$ 55,302</td>
<td>$ 69</td>
<td>$ 118</td>
<td>$ 187</td>
<td>$ 55,115</td>
<td></td>
</tr>
<tr>
<td>Fuel</td>
<td>61,777</td>
<td>(899)</td>
<td></td>
<td></td>
<td></td>
<td>62,676</td>
</tr>
<tr>
<td>Production</td>
<td>52,153</td>
<td>(2,617)</td>
<td></td>
<td></td>
<td></td>
<td>54,770</td>
</tr>
<tr>
<td>Transmission</td>
<td>20,588</td>
<td>334</td>
<td></td>
<td></td>
<td></td>
<td>20,254</td>
</tr>
<tr>
<td>Administrative and general</td>
<td>30,821</td>
<td>(687)</td>
<td></td>
<td></td>
<td></td>
<td>31,508</td>
</tr>
<tr>
<td>Distributed energy resources</td>
<td>13,639</td>
<td>(150)</td>
<td></td>
<td></td>
<td></td>
<td>13,789</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$ 234,280</td>
<td>(830)</td>
<td>(3,002)</td>
<td></td>
<td></td>
<td>$ 238,112</td>
</tr>
<tr>
<td><strong>Capital additions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>14,285</td>
<td>$ 6,268</td>
<td>$ 6,268</td>
<td></td>
<td></td>
<td>8,017</td>
</tr>
<tr>
<td>Transmission</td>
<td>4,301</td>
<td>(340)</td>
<td>(340)</td>
<td></td>
<td></td>
<td>4,641</td>
</tr>
<tr>
<td>General</td>
<td>8,976</td>
<td>(881)</td>
<td>(881)</td>
<td></td>
<td></td>
<td>9,657</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>52</td>
</tr>
<tr>
<td><strong>Total capital additions</strong></td>
<td>$ 27,614</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 22,367</td>
</tr>
<tr>
<td><strong>Total operating expenses and capital additions</strong></td>
<td>$ 261,894</td>
<td>(830)</td>
<td>(3,002)</td>
<td></td>
<td></td>
<td>$ 260,479</td>
</tr>
<tr>
<td><strong>Debt expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>17,783</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 17,783</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>$ 279,677</td>
<td>(830)</td>
<td>(3,002)</td>
<td></td>
<td></td>
<td>$ 278,262</td>
</tr>
<tr>
<td>Contingency appropriation (2)</td>
<td>$ 26,000</td>
<td>(26,000)</td>
<td></td>
<td></td>
<td></td>
<td>$ 52,000</td>
</tr>
<tr>
<td><strong>Total expenditures and contingency</strong></td>
<td>$ 305,677</td>
<td>(830)</td>
<td>(29,002)</td>
<td></td>
<td></td>
<td>$ 330,262</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$ 24,682</td>
<td>20</td>
<td>(3,002)</td>
<td></td>
<td></td>
<td>$ 22,373</td>
</tr>
</tbody>
</table>

(1) Depreciation, amortization and accretion expense decreased by approximately $673K impacting net income.

(2) Contingency appropriation reflects an increase from 10% to 20% of operating expenses and capital additions.
Highlights – 2023 strategic budget

2023 budget: $330.3 million

Core pillars

1. System reliability
2. Environmental responsibility
3. Financial sustainability

Operating expenses and capital additions: $260.5 million

Strategic initiatives

- Enhanced customer experience, (DER integration, DERMS, energy efficiency programs)
- Communications and community outreach (50th anniversary and public education)
- Resource diversification and alignment (2024 IRP, SPP WEIS participation, operational flexibility)
- Infrastructure advancement (enterprise resource planning, fiber)

Core operations

- Baseload and peaking generation, transmission
- PPAs for existing renewable resources and hydropower
- Predictive maintenance, Rawhide Unit 1 minor outage, Craig Unit 2 6-week outage
- Proactive capital investments to maintain reliability, efficiency and environmental compliance

Revenues

- Increasing owner community loads
- Increasing sales for resale
- 5% average wholesale rate increase
Questions
Board of directors

Oct. 27, 2022
Strategic plan update

Eddie Gutierrez, chief strategy officer
Key highlights

• Review of planning timeline
• Results of extended work sessions
• Evaluation of strategic goal areas
• Next steps
## Strategic planning process

### Updated timeline

<table>
<thead>
<tr>
<th>First quarter</th>
<th>Second quarter</th>
<th>Third quarter</th>
<th>Fourth quarter</th>
<th>First quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board SWOT session, interviews and surveys</td>
<td>Board working session, draft goal areas</td>
<td>Evaluation of planning process; conduct stakeholder input (employee work sessions and focus groups)</td>
<td>Finalize goal areas and performance measures and implementation tactics; draft plan</td>
<td>Finalize strategic plan</td>
</tr>
</tbody>
</table>

- Align objectives and goals
- Evaluate stakeholder input
- Create inclusion planning process
- Capture employee voice
- Identify implementation tactics
Work session recap: leadership and board

• Invest in employees to retain and attract top talent
• Continue technology innovation and integration
• Assure system resiliency and reliability
• Focus on implementation tactics and goals for the strategic plan
Initial survey analysis

Strengths
- 19% Financial stability of the organization
- 16% Resilience/reliability of our physical power infrastructure
- 11% Low wholesale energy

Weaknesses
- 21% Employee development and career growth
- 17% Work culture/employee engagement
- 13% Internal communication to employees

Opportunities
- 27% Investing in our employees to attract and retain top talent
- 20% Continuing our focus on technology innovation
- 14% Reducing inefficiencies, improve productivity

Threats
- 16% Regulatory and legislative uncertainties
- 15% Cybersecurity threats
- 12% National or international changes in policies, laws, or initiatives
Employee work sessions

Initial feedback

• Invest in our employees and our culture
• More integration and planning across operations
• Focus on resource diversification in terms of system reliability
• Raise visibility as a trusted community partnership – regionalism
Focus group themes

Employees want Platte River to be:

• Transparent
• Authentic
• Trustworthy
• Recognized as a partnership between owner communities
Core strategic areas

Resource diversification planning and integration

Community partner and engagement

Workforce culture

Process management and coordination
Resource diversification

Key areas

- Strategy and integration
- Energy storage
- Market entry / organized markets
- Rate alignment / new rate tariffs
- Transmission infrastructure

Metrics and performance driver options

- IRP process and planning
- Community engagement
- Additional indicators based on IRP development process
Focus group feedback

Resource diversification

• Transparency and unity around rate impacts
• Maintain system reliability
• Explanation of economies of scale and capacity in relation to energy storage, wind and solar
Community partner and engagement

Key areas

- Create working groups across owner communities
- Regional engagement opportunities
- Educational collateral and campaigns

Metrics and performance driver options

- Total media reach
- Progress updates
- Community surveys and listening sessions
Focus group feedback

Community partner and engagement

• Clear, unified and consistent messaging from all entities – communities and Platte River
• Increase general awareness of Platte River
• Share ownership of energy transition/future with communities
Process management and coordination

Key areas

• Systems thinking and change management
• Project management
• Technology integration and long-term planning
• Comprehensive risk management

Metrics and performance driver options

• Task trackers for technology roadmap
• Engagement surveys evaluating project management and efficiencies
Focus group feedback

Process management and coordination

Priorities identified:

• Clear timeline with key roles and responsibilities
• Framework for cross-functional projects
• Interactive energy management tools
• Transmission / distribution coordination and planning
• Cybersecurity
• Water resources
**Workforce culture**

**Key areas**
- Investment and growth of employees
- Market-based comp study
- Updated benefits and other workplace improvements
- Hybrid work flexibility
- Retention, recruitment and development

**Metrics and performance driver options**
- New employee engagement tools
- Additional education and career growth planning
- Succession planning
- New merit and performance evaluations
Focus group feedback

Workforce culture

- Developing workforce for energy future
- Transitioning our energy, workforce and technology
- Best of the best
- Family
- Purpose and value
Next steps

- Finalize employee feedback
- Refine key implementation drivers and metrics
- Draft planning
Questions
Board of directors

Oct. 27, 2022
Draft concepts for distributed solar and storage options

Raj Singam Setti, chief transition and integration officer
Solving for X and Y

X : As distribution solar in our communities increases

Y: We must solve for reliability, cost efficiency & integration

For years, grid operators had to solve to balance supply and demand. Load is constantly varying, and supply has been stable. However, future renewable energy supply is intermittent.
Solution

Reliability & Resilience

• Energy storage can contribute to grid flexibility and reduce grid power losses.

• System and distribution planning

Cost Efficiency & Integration

• Platte River is well positioned to provide energy storage to the owner communities.

• Significant energy storage capacity added between now and 2030 – a portion could be installed in the owner communities.

• Platte River’s participation in organized market.
Areas to address

- Energy storage location, sizing and reliability
- Generation interconnection coordination
- Cost allocation & wholesale tariff
- Resource procurement and contracting
- Grant opportunities
- Research & development
- Confirm owner community interest
Questions
Board of directors

Oct. 27, 2022
## September operational results

<table>
<thead>
<tr>
<th>Category</th>
<th>September variance</th>
<th>YTD variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner community demand</td>
<td>14.4%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Owner community energy</td>
<td>2.2%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Wind generation</td>
<td>(14.5%)</td>
<td>4.1%</td>
</tr>
<tr>
<td>Solar generation</td>
<td>(13.5%)</td>
<td>5.3%</td>
</tr>
<tr>
<td>Net variable cost to serve owner community load*</td>
<td>71.1%</td>
<td>16.5%</td>
</tr>
</tbody>
</table>

Variance key: Favorable: ● >2% | Near budget: ◦ +/- 2% | Unfavorable: ■ <-2%

*Total resource variable costs plus purchased power costs less sales revenue
Board of directors

Oct. 27, 2022
## Financial summary

<table>
<thead>
<tr>
<th>Category</th>
<th>September variance from budget ($ in millions)</th>
<th>Year to date variance from budget ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income *</td>
<td>$2.3</td>
<td>$12.3</td>
</tr>
<tr>
<td>Fixed obligation charge coverage</td>
<td>1.81x</td>
<td>.75x</td>
</tr>
<tr>
<td>Revenues</td>
<td>$8.1</td>
<td>$23.8</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>$(3.5)</td>
<td>$(4.0)</td>
</tr>
<tr>
<td>Capital additions</td>
<td>$2.2</td>
<td>$16.4</td>
</tr>
</tbody>
</table>

*Net income results impacted by unrealized losses on investments of $7.0 million year to date*
Board of directors

Oct. 27, 2022