



Lincoln Electric System



2025 Proposed Budget & Rates

Public Meeting | October 3, 2024

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Vice President, Financial Services & CFO

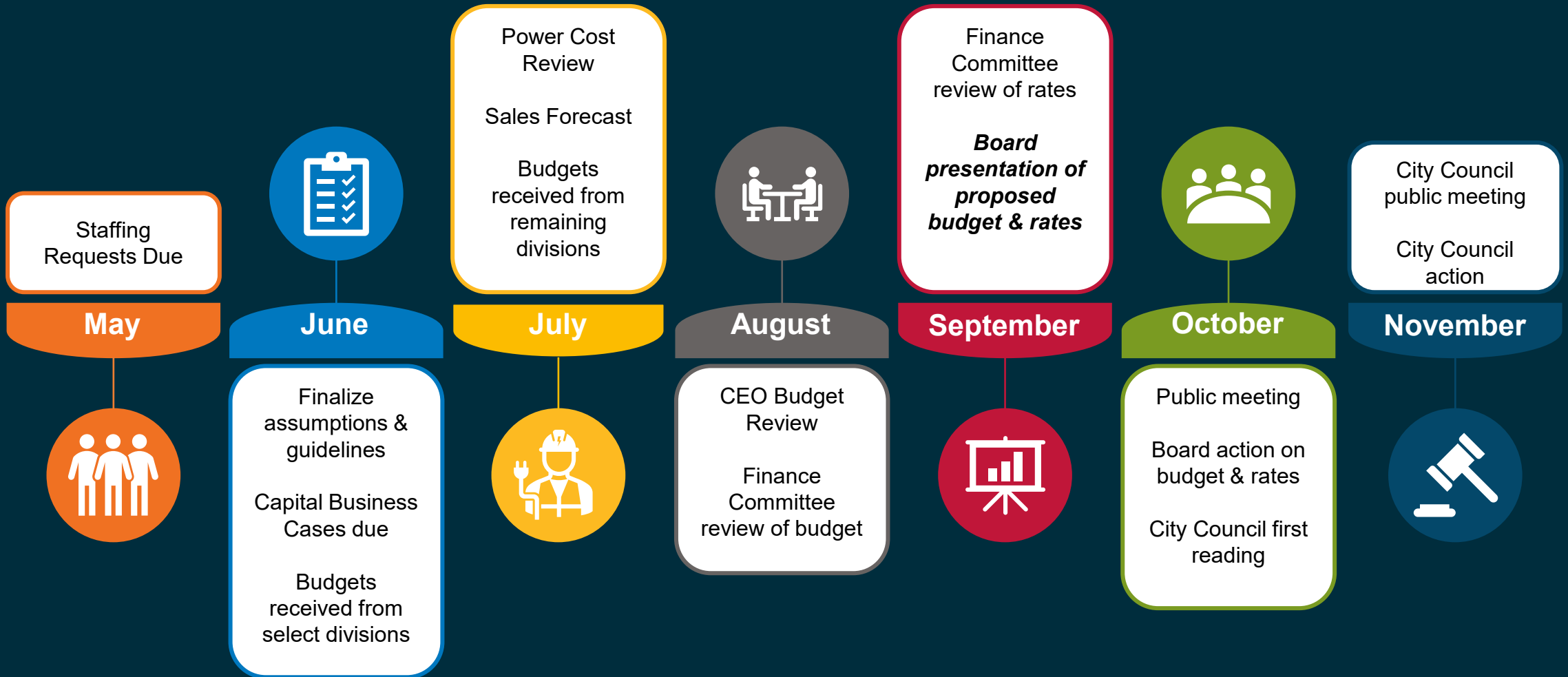
Tonight's Objectives

- Review Proposed 2025 Operating and Capital Budget
- Review Proposed 2025 Systemwide Rate Adjustment of **3.3%**
- Review Next Steps

Additional information available at www.les.com/Budget

Due to rounding, numbers presented throughout this presentation may not add up precisely to the totals provided

Path to the 2025 Budget and Rates



Budget & Rate Adjustment Objectives



LES has a long-standing history of valuing

- A resilient, safe and well-maintained system
- Reliable electric service
- Rate stability, affordability and equity
- Sustainability

The electric utility industry is experiencing transformations and disruptions

- Market factors (generation resource adequacy, volatile pricing)
- Regulatory and policy requirements
- Electrification
- Cost increases (inflation, supply chain, workforce)



The 2025 Proposed Budget and Rate Adjustment continue LES' focus on its values while positioning it to meet financial obligations and strategic objectives in a changing environment.



Budget Authorization



Operating*
\$291.1M



Capital**
\$183.7M



Total
\$474.8M

Projected Cash Flow Comparison

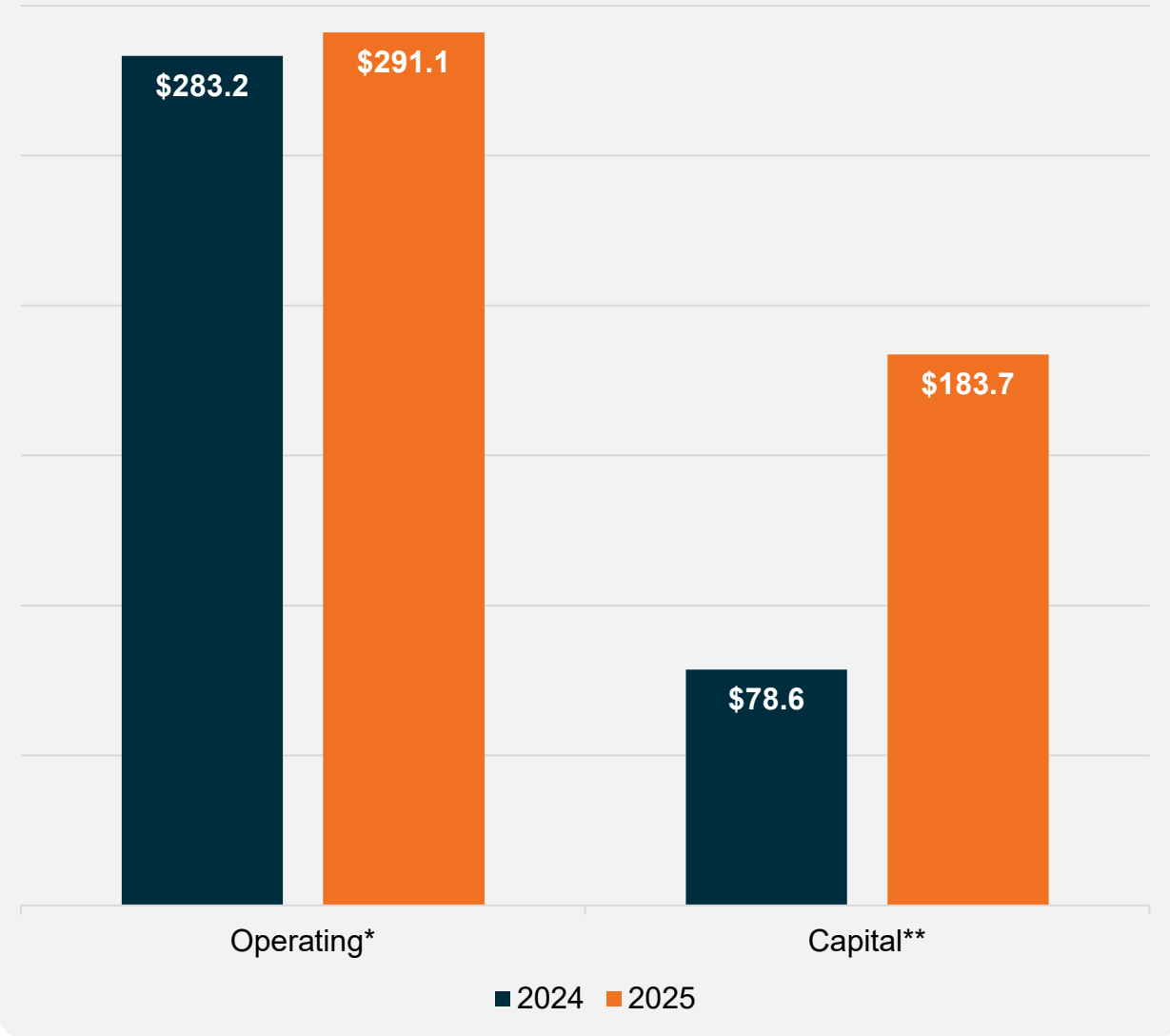
	2024	2025	Variance
Operating	\$283.2M	\$291.1M	+\$7.9M/+2.8%
Capital	\$78.6M	\$76.8M	-\$1.8M/-2.2%
Total	\$361.7M	\$367.9M	+\$6.2M/+1.7%

*Excludes PILOT

**2025 Budget represents all capital projects undertaken prior to 12/31/2026. Projects authorized through life-of-project. The 2025 authorization is the first year of the life-of-project authorization method.

Budget Authorization

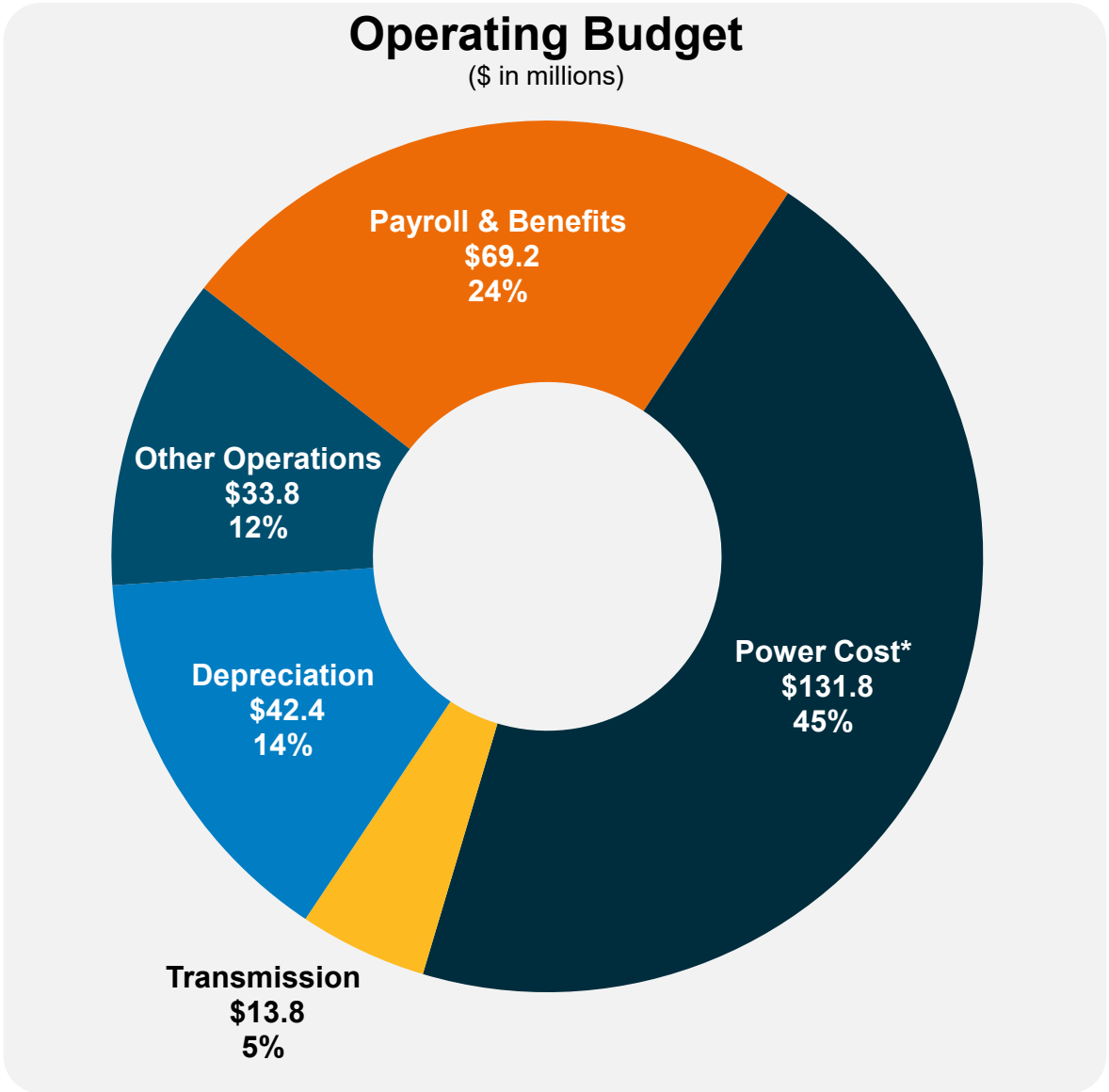
(\$ in millions)



Power Cost continues to be the largest part of the Operating Budget

Because Power Cost constitutes such a large percentage of the total budget, fluctuations can have a significant impact on the overall budget.

Power Cost, Transmission, and Depreciation make up 64% of the Operating Budget; LES' ability to impact these costs on an annual basis is limited.



* Power Cost varies from other parts of the presentation due to labor costs that are reported through Payroll & Benefits in the chart above.

Budgeted Operating Expenses*



O&M Expenses

2024 Budget	2025 Budget	Variance
\$41.4M	\$42.5M	+\$1.1M/+2.8%



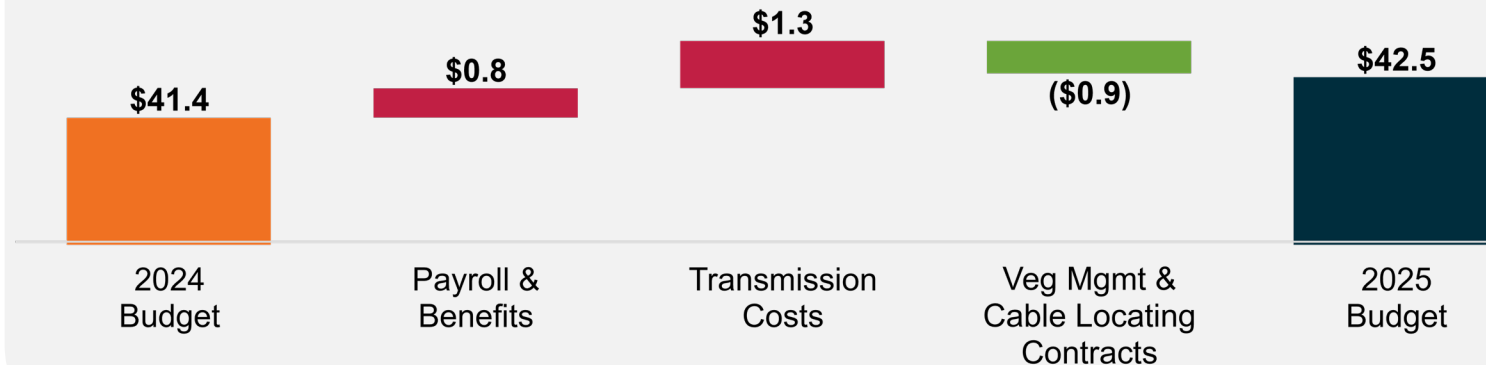
A&G Expenses

2024 Budget	2025 Budget	Variance
\$59.8M	\$66.9M	+\$7.1M/+11.9%

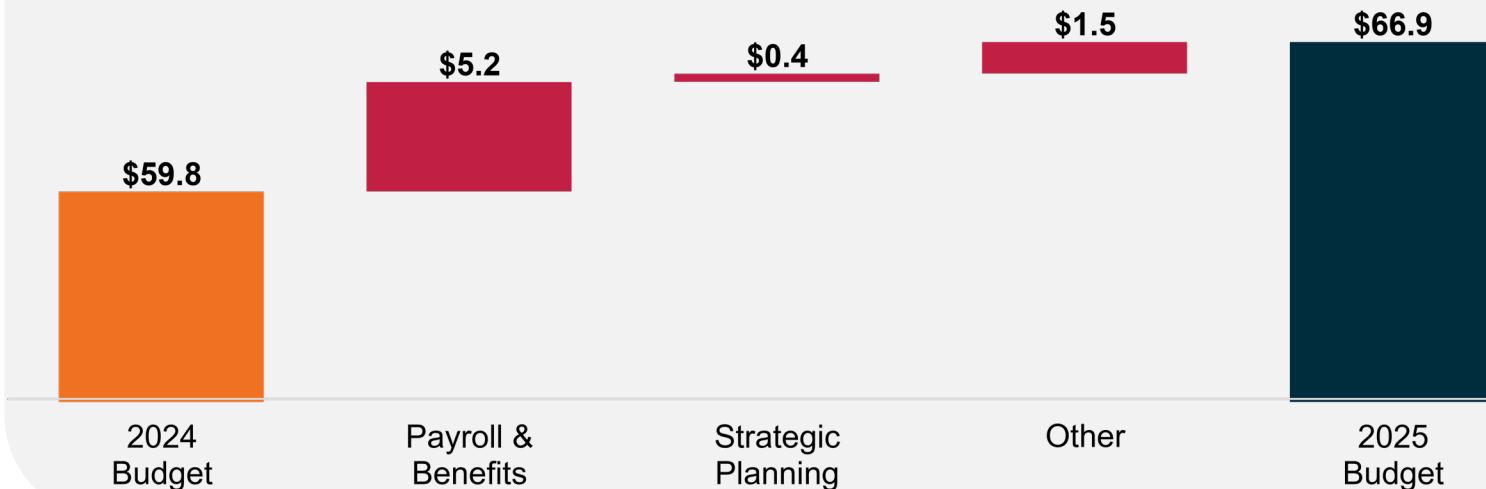
*Excludes Power Cost

Operations & Maintenance

(\$ in millions)



Administrative & General



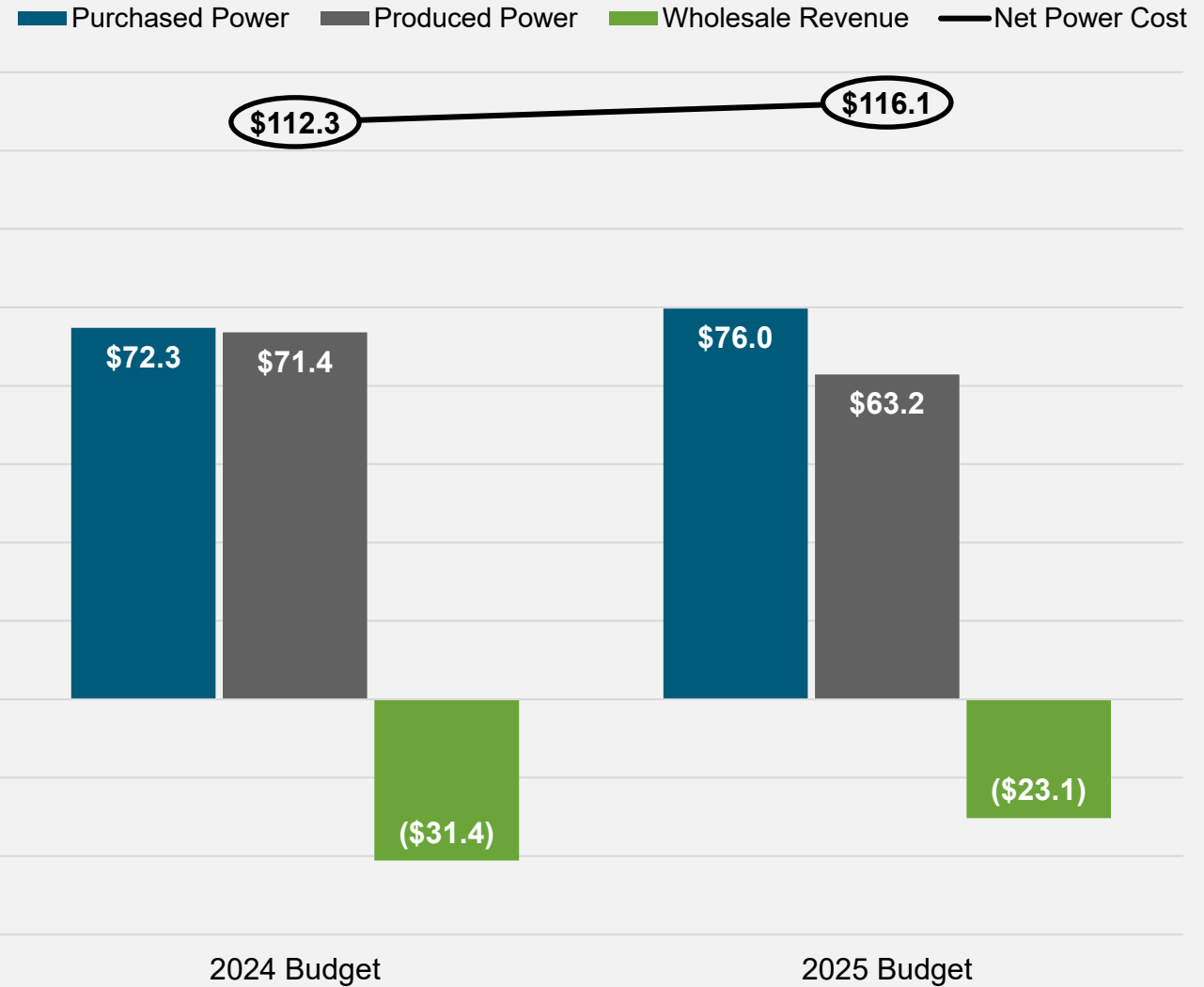
Net Power Cost Budget

2024 Budget	2025 Budget	Variance
\$112.3M	\$116.1M	+\$3.8M/+3.4%

- Purchased Power is greater due to increased costs at Gerald Gentleman Station and for wind resources
- Produced Power is lower due to lower costs at Laramie River Station and lower energy and maintenance costs at Rokeby Generating Station and Terry Bundy Generating Station
- Wholesale Revenue is lower mainly due to decreased revenue from SPP Integrated Market activities

Net Power Cost*

(\$ in millions)



* Includes payroll & benefits

Lower assumed interest rates lead to a reduction in interest income

Primary objectives of the LES Investment Program include:

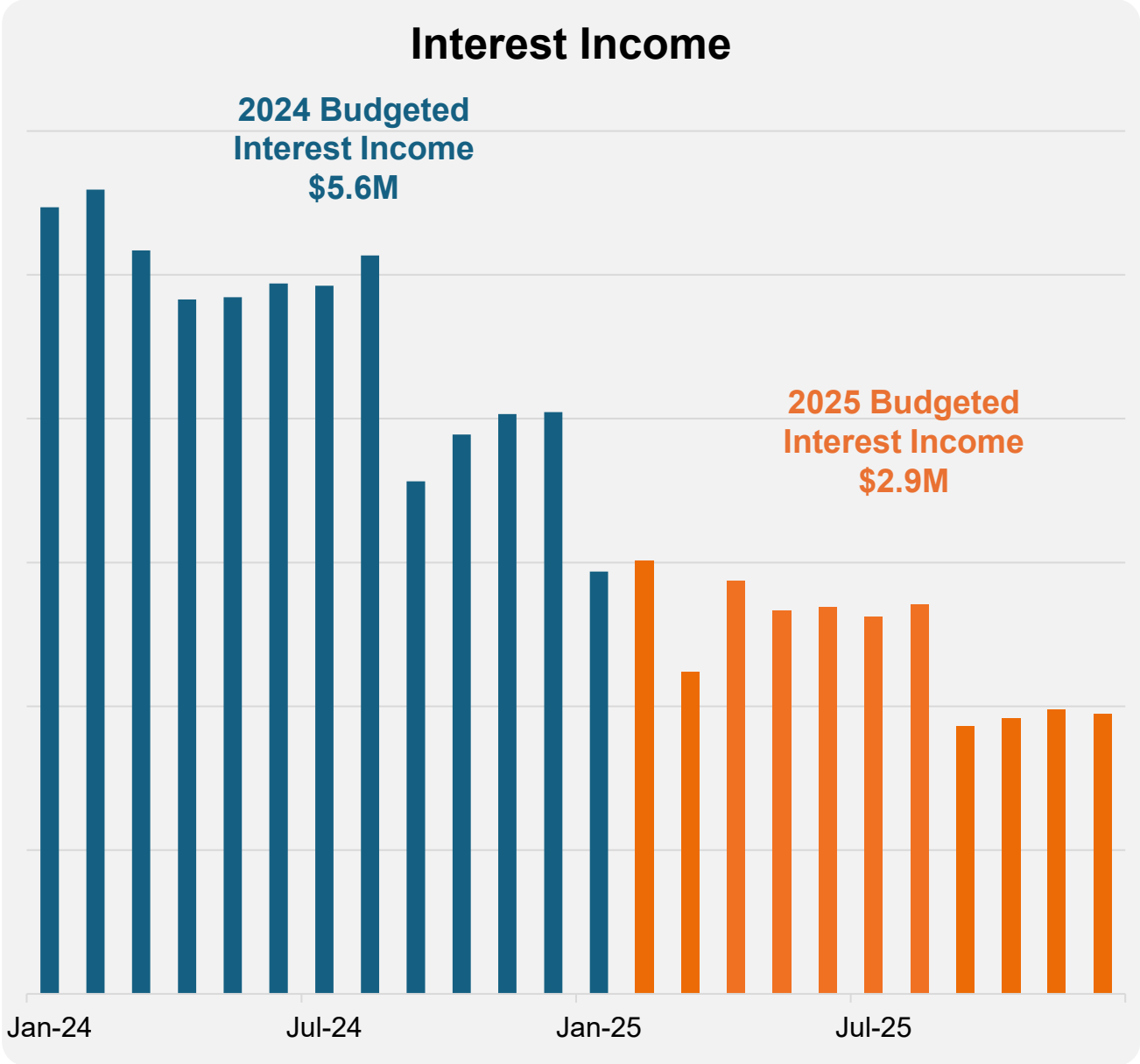
- Safety of principal
- Maintenance of liquidity to meet cash flow requirements
- Maximizing performance while not compromising the other objectives

Average Portfolio Balance

- 2024 Budget = \$162M
- 2025 Budget = \$155M

Average Assumed Yield

- 2024 Budget = 3.85%
- 2025 Budget = 2.22%



Note: Excludes Rate Stabilization Fund interest income

Proposed Capital Authorization is \$183.7M with \$76.8M spent in 2025

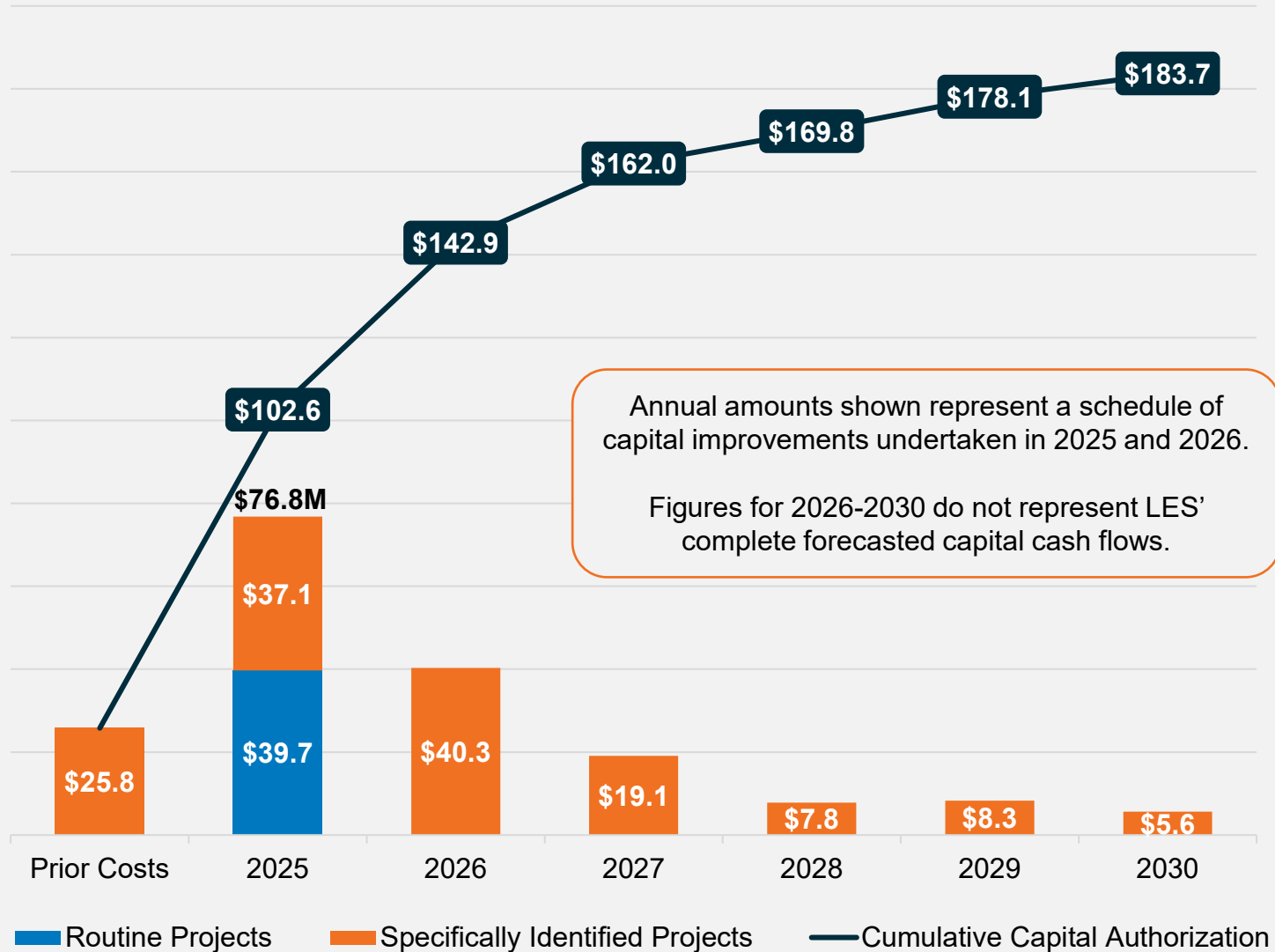
Specifically Identified Projects > \$2.0M

- \$18.7M – Service Center HVAC Upgrades
- \$16.5M – Rokeby Unit 3 C-Inspection
- \$11.9M – Transformer T143 Addition
- \$11.5M – Transformer T851 Replacement
- \$8.0M – Transformer T601 Replacement
- \$6.1M – Transformer T691 Replacement
- \$5.8M – 40th & Gertie Transformer Replacement
- \$5.9M – 30th & A Transformer Replacement
- \$5.8M – L3503 Rebuild (Princeton-Stagecoach)
- \$5.7M – L3503 Rebuild (Stagecoach-Martell)
- \$3.6M – Transport Net Upgrade (Phase 2/8)
- \$2.2M – Outage Mgmt System Replacement

- Routine Projects will be reevaluated annually
- LES Capital Budget defined in Lincoln Municipal Code 4.24.090, amended January 29, 2024.

Proposed Capital Authorization

(\$ in millions)



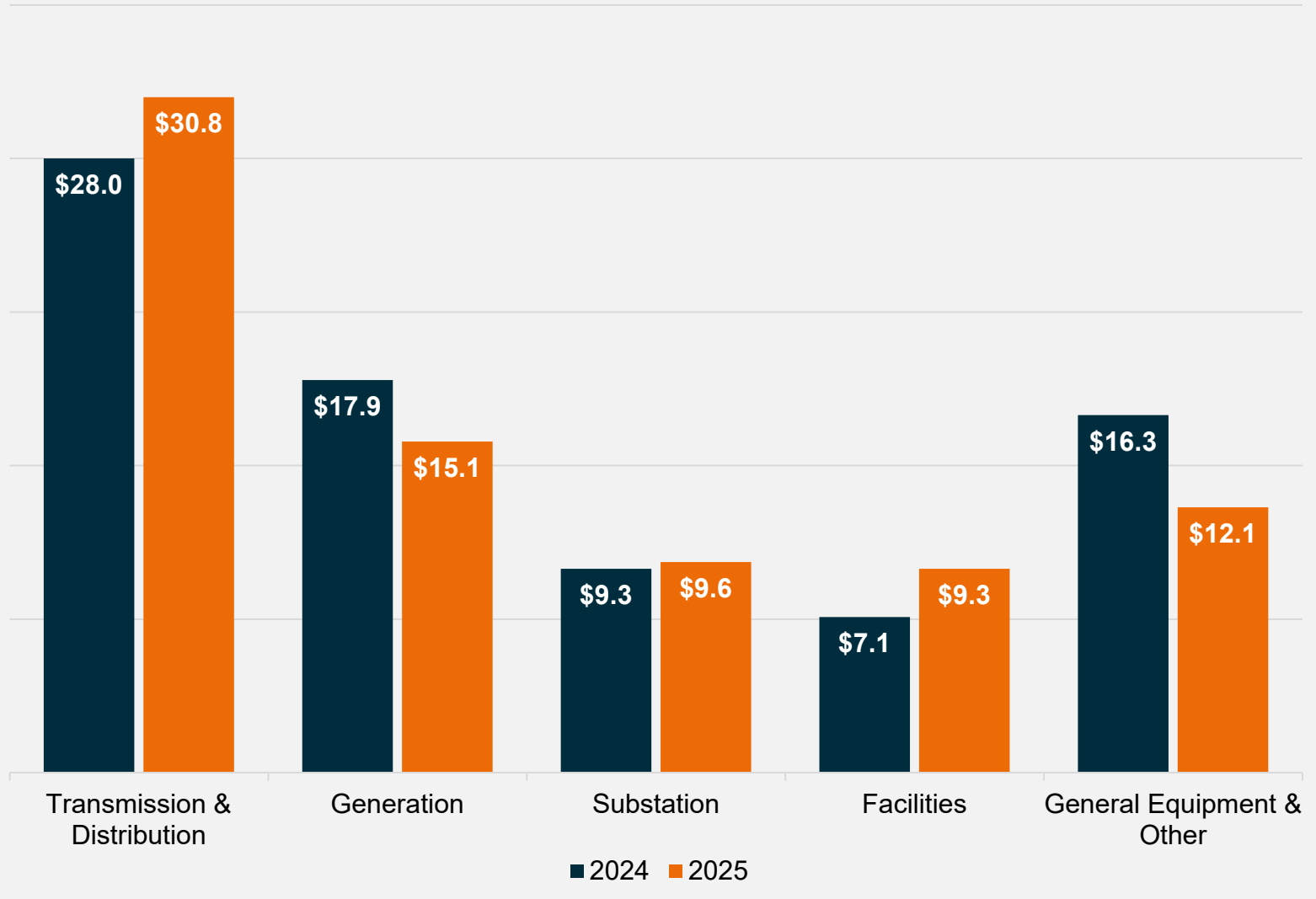
2025 Estimated Capital Cash Flow is \$76.8M

Major Projects in 2025

- \$7.3M – Service Center HVAC Upgrades
- \$6.9M – Walter Scott Energy Center
- \$4.0M – Laramie River Station
- \$2.5M – 40th & Gertie Transformer Upgrade
- \$2.1M – Outage Mgmt System Replacement

2025 Estimated Capital Cash Flow

(\$ in millions)



Retail Revenue Budget



Retail Revenue

2024 Budget
\$302.0M

2025 Budget
\$319.7M

Variance
+\$17.7M/+5.8%



Retail Energy

2024 Budget
3,293 GWh

2025 Budget
3,416 GWh

Variance
+123 GWh/+3.7%

Increased Retail Revenue is driven primarily by proposed 3.3% system-wide rate adjustment and load growth

Retail Revenue

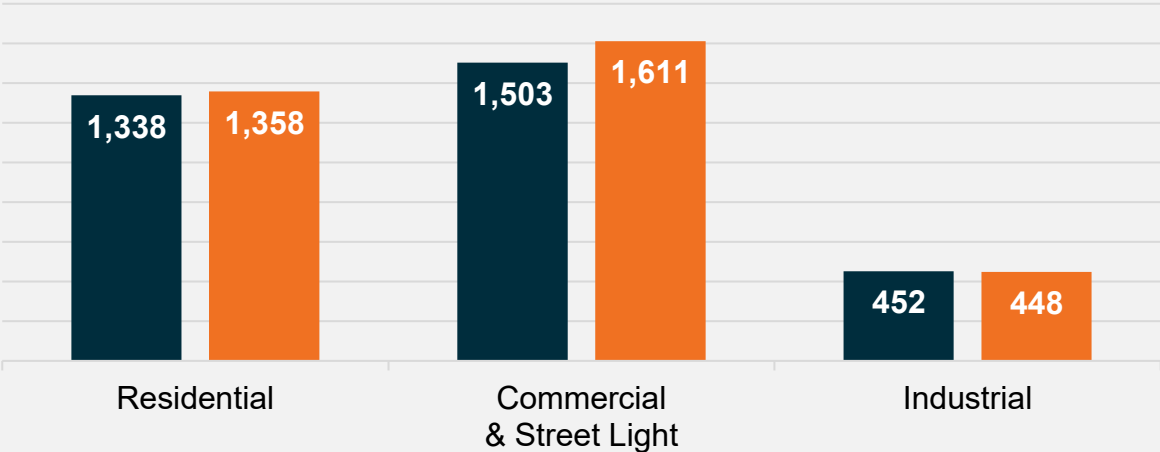
(\$ in millions)

■ 2024 ■ 2025



Retail Energy

(GWh)



Financial Metrics

LES has minimum target values for financial ratios, established in policy, that are adhered to when setting rates.

Fixed Charge Coverage Ratio

The proposed rate increase of 3.3% is necessary to bring the fixed charge coverage ratio into compliance

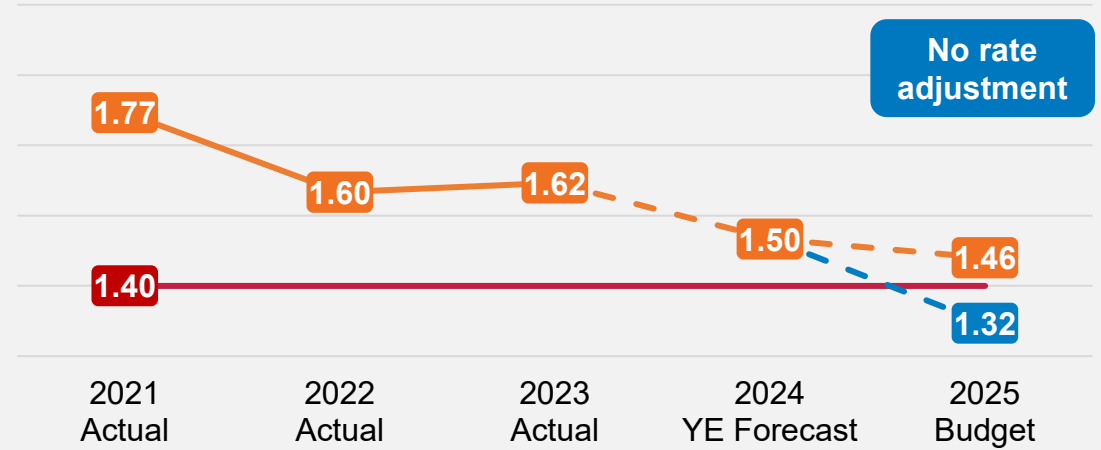
The Fixed Charge Coverage ratio is a measurement of LES' ability to fund all fixed obligations (long and short-term debt, fixed power contracts, PILOT/CDFUO).

Days Cash on Hand

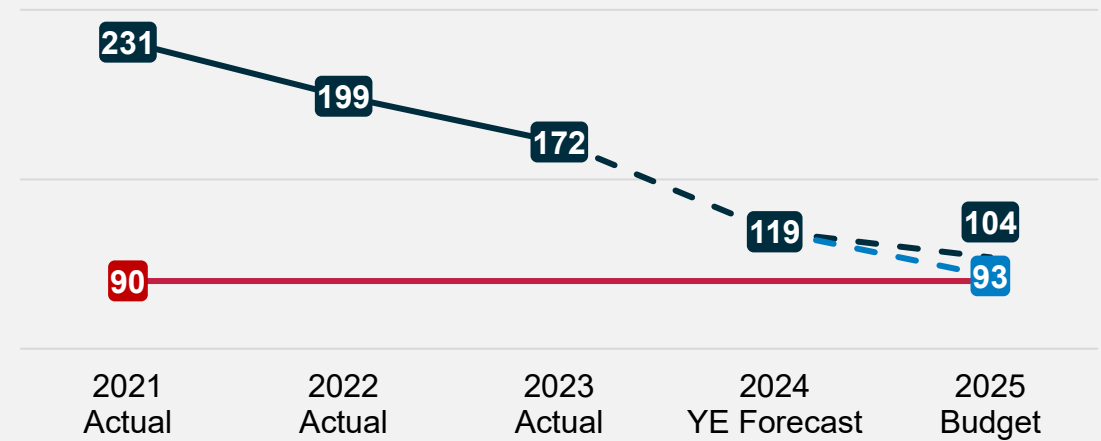
A short-term, tax-exempt borrowing is required in 2025 to maintain liquidity requirements

Higher or increasing values are generally considered favorable for both metrics

Fixed Charge Coverage Ratio



Days Cash on Hand



Note: all metrics shown are at year-end

Financial Metrics

Debt to Capitalization

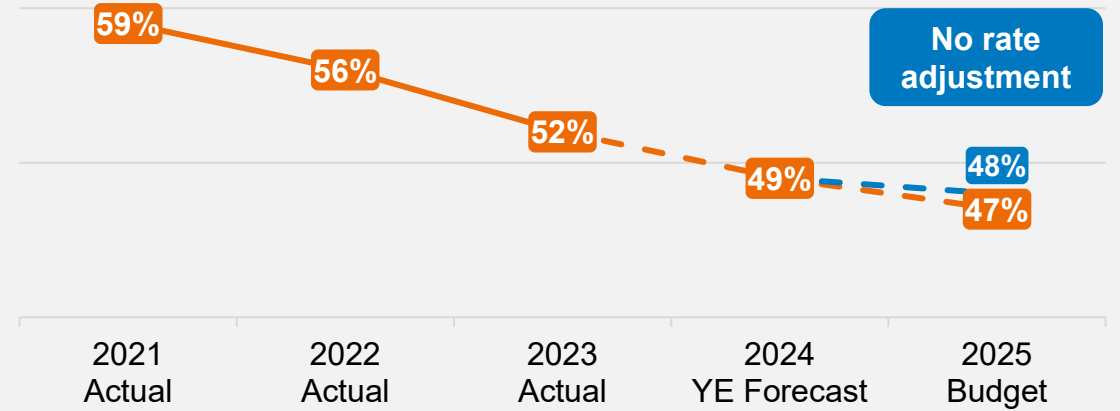
Measure of how much of LES' overall capital structure is made up of debt

Net Debt Ratio

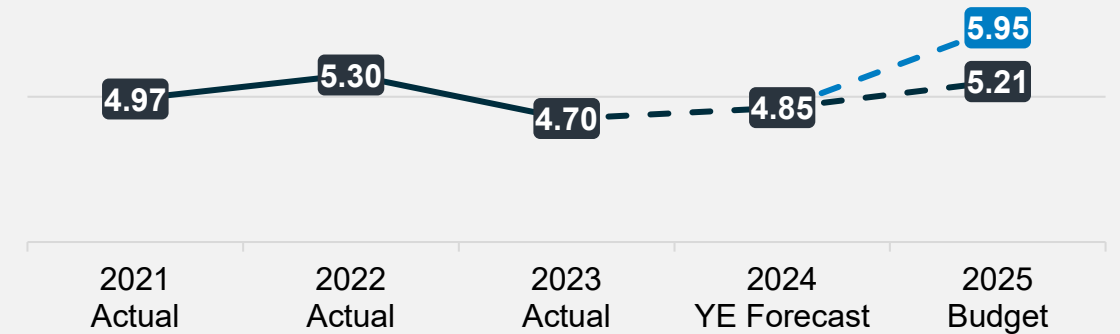
Measures about how many years it would take for LES to pay off all remaining debt given operating results/projections for the given year

Lower or decreasing values are generally considered favorable for both metrics

Debt to Capitalization



Net Debt Ratio



Note: all metrics shown are at year-end

LES Principal Rate Types and Cost of Service Objectives

LES Principal Rate Types

Non-Demand Rates

- Rate Classes:
 - Residential
 - General Service
 - Heating Service
- Rate Components
 - Customer
 - Facilities
 - Energy

Demand Based Rates

- Rate Classes:
 - General Service Demand
 - Large Light & Power
 - Large Power Contract
- Rate Components
 - Customer
 - Facilities
 - Demand
 - Energy

Market Energy Rate Class

- Rate Classes:
 - Market Energy
- Rate Components
 - Customer
 - Market Energy
 - Demand

Rate Objectives

1. Revenue Sufficiency:

Rates should be set equal to Revenue Requirement

2. Revenue Stability:

Rates should provide stable flow of revenue to meet the utility's financial need

3. Cost Based:

The assessment of costs in rate development should be based on cost-causation

4. Defensible:

Rates should be equitable, fair, and reasonable

5. Ease to Administer:

Rates should be easy to implement, understand, and explain to the customer

2025 Proposed System-Wide Rate Increase is 3.3%

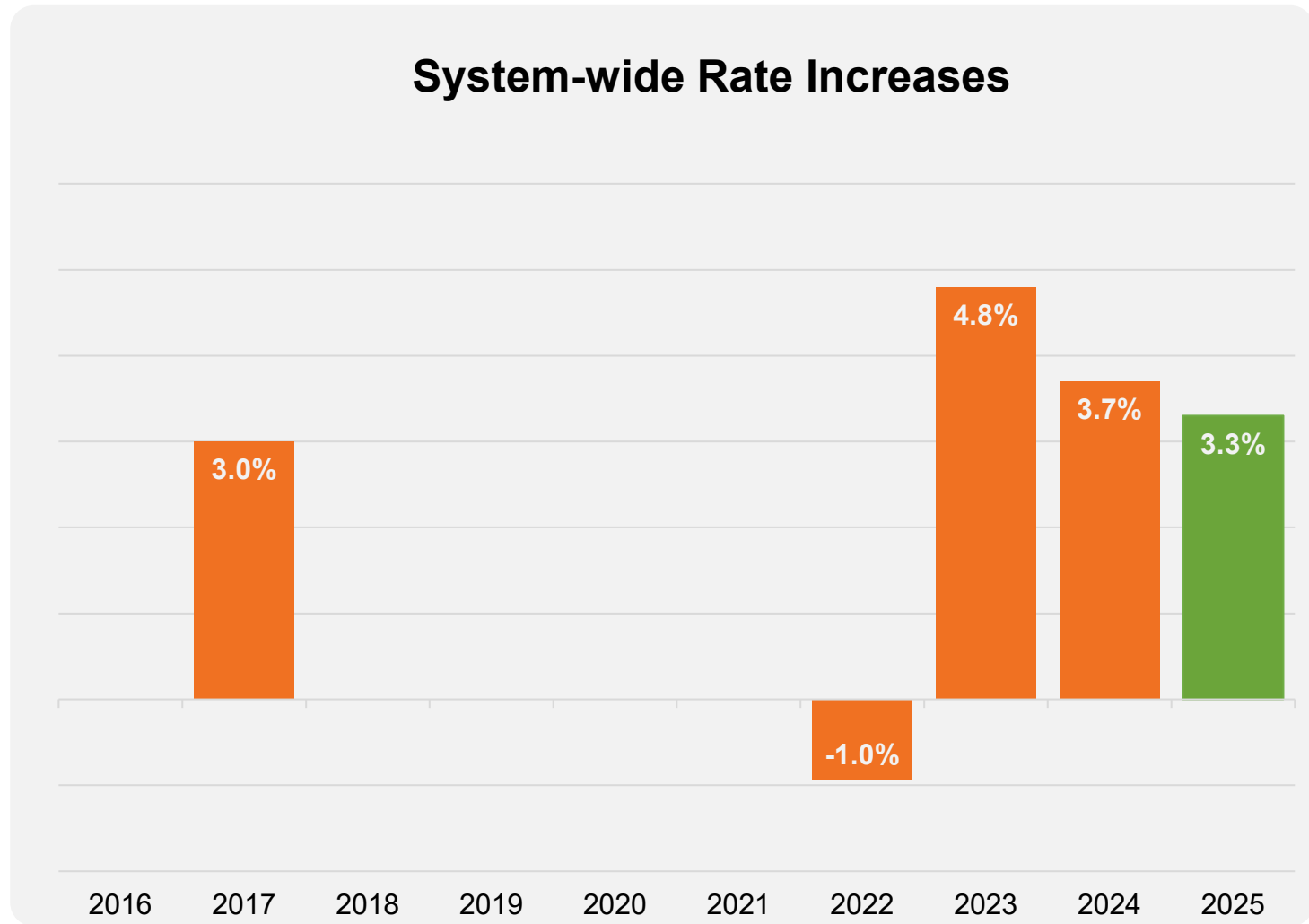


The 2025 proposed rate increase is lower than the prior two rate increases



The prior ten-year average increase is 1.4%

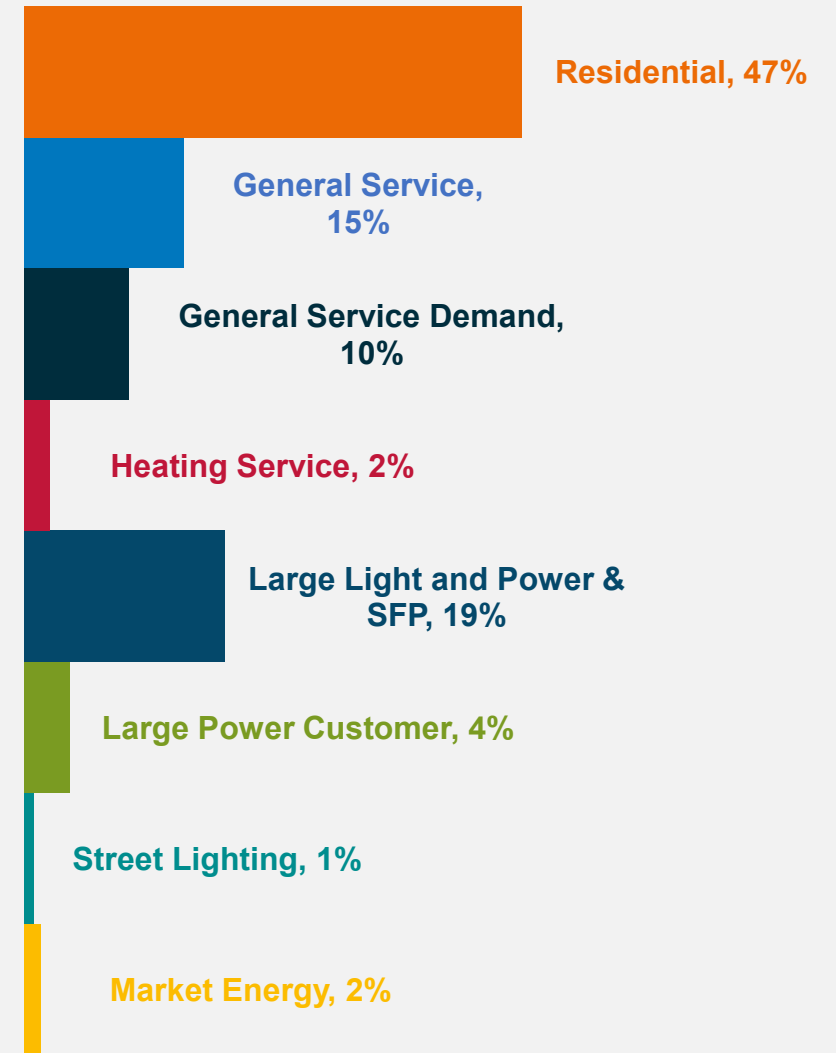
System-wide Rate Increases



Proposed rate increases vary by rate class

Rate Class	2025 Rate Increase	2025 Cost of Service	2024 Cost of Service
Residential	3.3%	98.7%	99.1%
General Service	3.3%	105.0%	100.2%
General Service Demand	3.9%	101.6%	99.4%
Heating Service	10.0%	76.5%	75.5%
Large Light & Power	2.5%	105.0%	107.2%
Large Power Customer	2.1%	103.0%	101.2%
Street Lighting	6.0%	92.1%	86.2%
Market Energy	N/A	N/A	N/A
Total Retail System	3.3%	100.0%	100.0%

Percent of Retail Revenue



Rate Targets = 95% to 105% Cost of Service

2025 Proposed Residential Rate Changes

(includes 3.3% increase and continued Rate Restructuring)

Residential Charges	Average Monthly Usage	2024	2025 Proposed	Proposed Change	Unit
Customer Charge		\$5.00	\$5.00	N/A	Month
Energy (Summer)		\$0.0719	\$0.0709	-\$0.0010	kWh
Energy (Winter)		\$0.0540	\$0.0535	-\$0.0005	kWh
Facilities Level 1	0 - less than 800 kWh	\$25.75	\$28.50	\$2.75	Month
Facilities Level 2	800 - 1,500 kWh	\$38.00	\$42.00	\$4.00	Month
Facilities Level 3	Greater than 1,500 kWh	\$57.75	\$63.75	\$6.00	Month
Facilities 3-Phase		\$57.75	\$63.75	\$6.00	Month

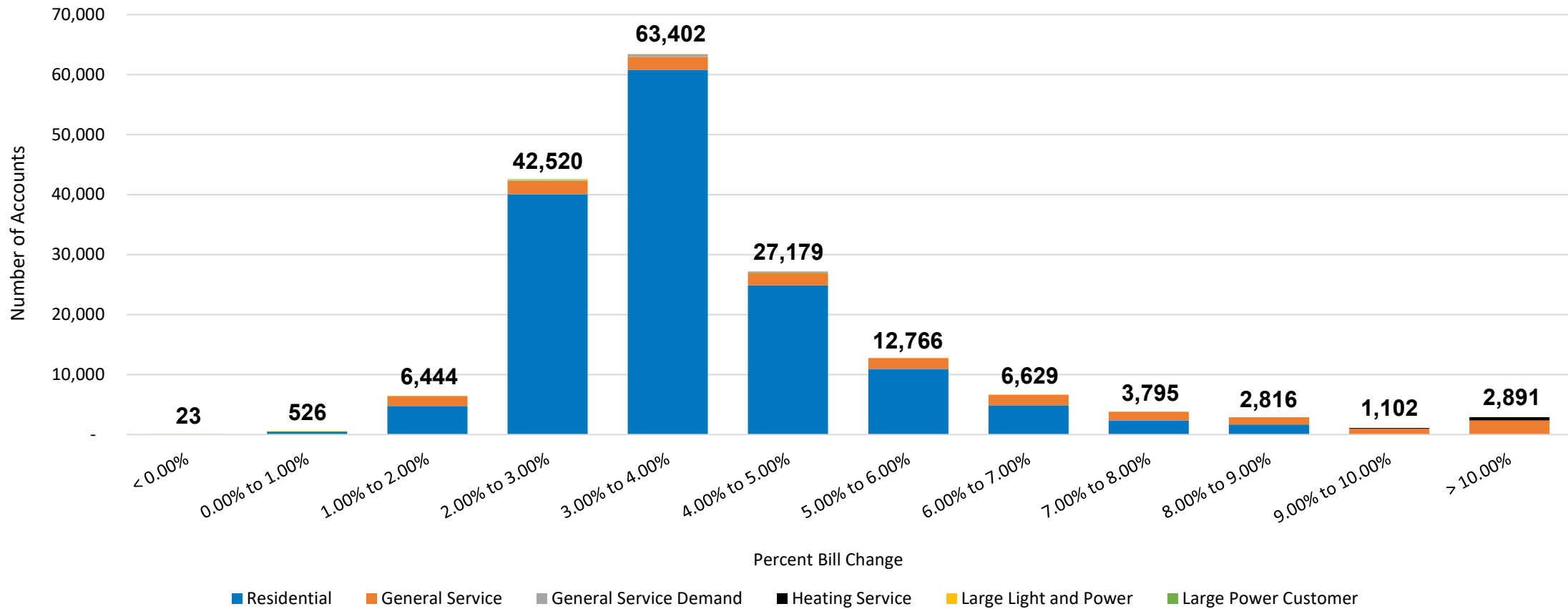
2025 Sample Residential Bill Changes

Facilities Level	Monthly Energy	2024 Monthly Bill	2025 Proposed Monthly Bill	Proposed Bill Change
1	100 kWh	\$36.75	\$39.43	\$2.68
1	700 kWh	\$72.73	\$75.01	\$2.28
2	800 kWh	\$90.97	\$94.44	\$3.47
2	1,500 kWh	\$132.95	\$135.95	\$3.00
3	2,000 kWh	\$182.68	\$187.35	\$4.67
3	4,000 kWh	\$302.62	\$305.95	\$3.33

Note: Customers with energy use in the lower range of their Facilities Level will see slightly higher bill changes due to not experiencing enough reduction in their Energy Charge to offset the increase in their Facilities Charge. Rate Restructuring is revenue neutral for LES.

82% of LES customers will see 2025 bill changes of less than 5%

All Retail Customer Annual Bill Changes by Class

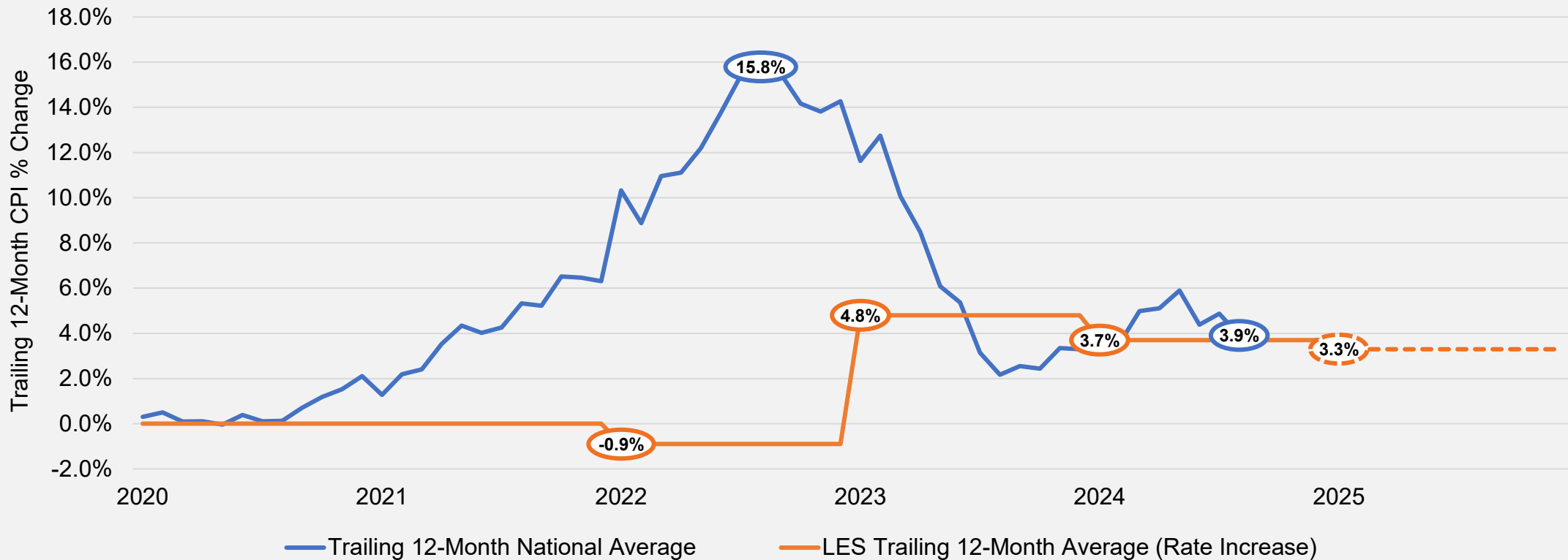


Customer counts shown in chart may exceed actual customer counts due to bill simulations including all 2023 accounts.

LES monitors rate increases against inflation to ensure value to customers

Trailing 12-Month CPI Percentage Change

All Urban Consumers: Electricity in U.S. City Average



Preliminary 2025 Budget for LES assumes 3.3% Retail increase

Source: [Federal Reserve Bank of St. Louis](#) & U.S. Bureau of Labor Statistics

LES rates continue to lag inflation growth



LES is 7th out of 87 cities for residential affordability

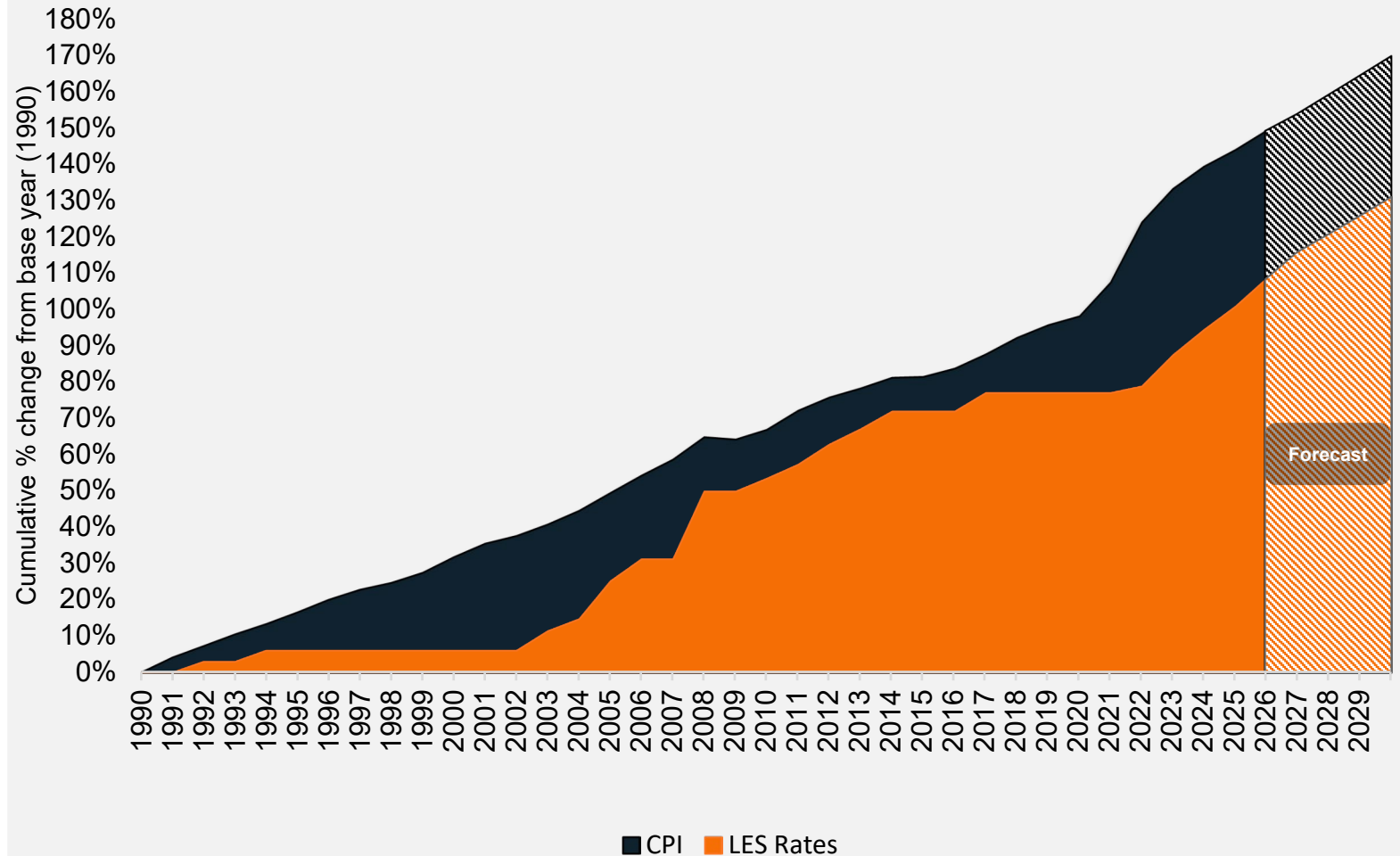


LES is 12th out of 87 cities for residential bill as a percent of household income



LES is 4th out of 87 cities for price stability for all retail sectors

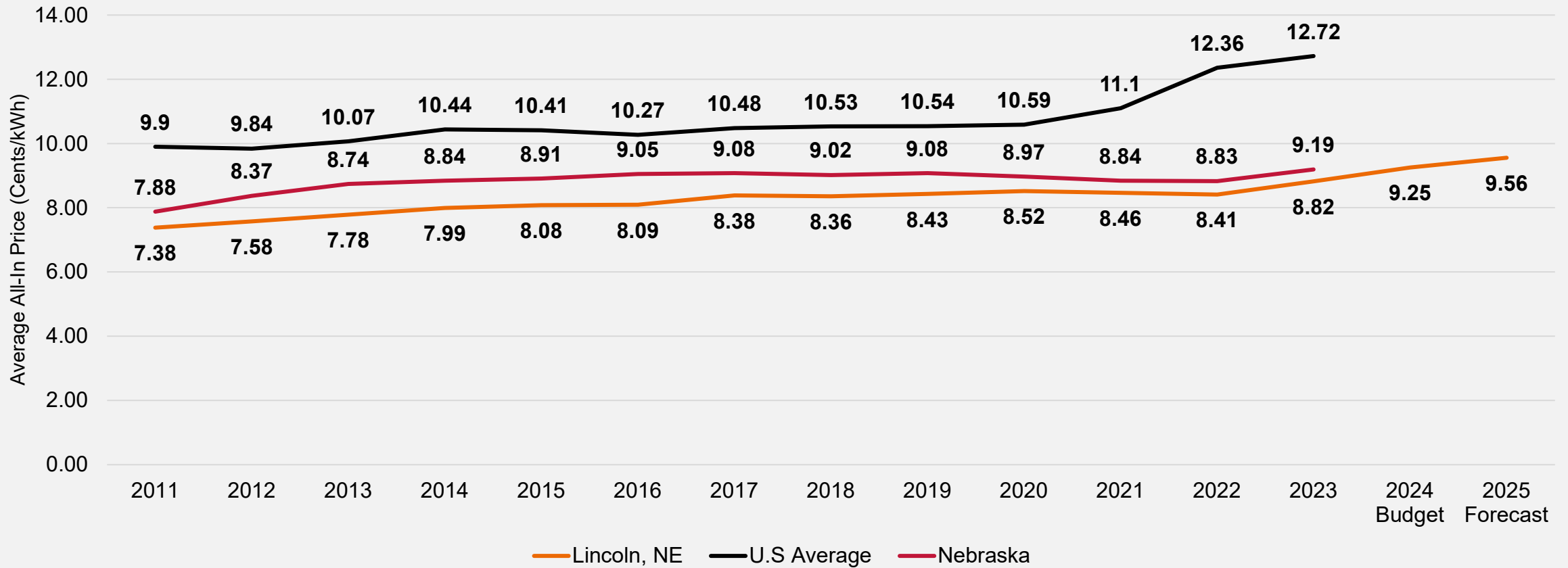
LES Rates vs. Inflation



Source: Bureau of Labor Statistics and 2023 Energy Administration Annual Energy Outlook Report

LES customers experience lower-than-average electric prices

All Retail Sectors Average All-in Price of Electricity

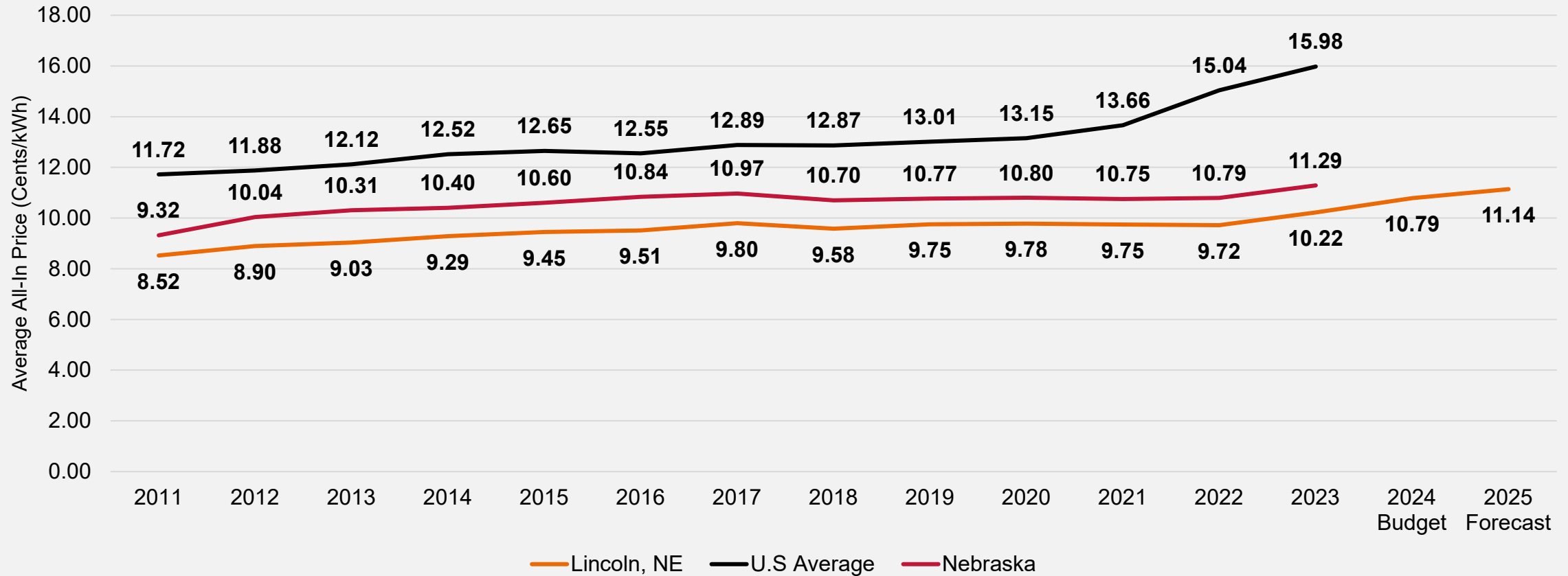


Preliminary 2025 Budget for LES assumes 3.3% Retail increase

Source: Energy Information Administration

LES residential customers experience lower-than-average electric prices

Residential Average All-in Price of Electricity



Preliminary 2025 Budget for LES assumes 3.3% Retail increase

Source: Energy Information Administration

Residential (Monthly Average)			
Electric Bills using January 1, 2024 Rates, applicable Franchise Fees and LES' City Dividend		Electric Bills using 2024 Rates adjusted for changes since January 1, 2024, including proposed 2025 rate changes, and applicable Franchise Fees and LES' City Dividend	
City	Residential 1,000 kWh	City	Residential 1,000 kWh
Denton, NE	\$105	Denton, NE	\$105
Lincoln, NE	\$107	Lincoln, NE	\$110
Des Moines, IA	\$117	Des Moines, IA	\$119
Omaha, NE	\$120	Omaha, NE	\$120
Kearney, NE	\$127	Kearney, NE	\$127
Colorado Springs, CO	\$133	Colorado Springs, CO	\$131
Wichita, KS	\$136	Kansas City, MO	\$141
Kansas City, MO	\$141	Wichita, KS	\$152
Denver, CO	\$141	Denver, CO	\$153
Kansas City, KS	\$166	Kansas City, KS	\$168
Minneapolis, MN	\$182	Minneapolis, MN	\$182

Small Commercial (Monthly Average)			
Electric Bills using January 1, 2024 Rates, applicable Franchise Fees and LES' City Dividend		Electric Bills using 2024 Rates adjusted for changes since January 1, 2024, including proposed 2025 rate changes, and applicable Franchise Fees and LES' City Dividend	
City	40 kW 10,000 kWh	City	40 kW 10,000 kWh
Omaha, NE	\$804	Omaha, NE	\$804
Lincoln, NE	\$839	Lincoln, NE	\$856
Denton, NE	\$935	Denton, NE	\$935
Des Moines, IA	\$990	Des Moines, IA	\$987
Kearney, NE	\$1,031	Colorado Springs, CO	\$1,011
Colorado Springs, CO	\$1,040	Kearney, NE	\$1,031
Wichita, KS	\$1,203	Wichita, KS	\$1,283
Kansas City, MO	\$1,295	Kansas City, MO	\$1,303
Denver, CO	\$1,436	Minneapolis, MN	\$1,529
Kansas City, KS	\$1,551	Denver, CO	\$1,554
Minneapolis, MN	\$1,561	Kansas City, KS	\$1,568

Large Light & Power Commercial (Monthly Average)			
Electric Bills using January 1, 2024 Rates, applicable Franchise Fees and LES' City Dividend		Electric Bills using 2024 Rates adjusted for changes since January 1, 2024, including proposed 2025 rate changes, and applicable Franchise Fees and LES' City Dividend	
City	500 kW 180,000 kWh	City	500 kW 180,000 kWh
Des Moines, IA	\$14,413	Des Moines, IA	\$14,055
Denton, NE	\$14,966	Denton, NE	\$14,966
Omaha, NE	\$15,406	Omaha, NE	\$15,406
Lincoln, NE	\$16,470	Lincoln, NE	\$16,917
Kearney, NE	\$17,067	Kearney, NE	\$17,067
Colorado Springs, CO	\$17,657	Colorado Springs, CO	\$17,027
Wichita, KS	\$18,569	Wichita, KS	\$20,195
Kansas City, MO	\$19,356	Kansas City, MO	\$19,198
Denver, CO	\$19,809	Denver, CO	\$20,719
Minneapolis, MN	\$24,383	Minneapolis, MN	\$23,807
Kansas City, KS	\$24,445	Kansas City, KS	\$24,385

Large Light & Power Industrial (Monthly Average)			
Electric Bills using January 1, 2024 Rates, applicable Franchise Fees and LES' City Dividend		Electric Bills using 2024 Rates adjusted for changes since January 1, 2024, including proposed 2025 rate changes, and applicable Franchise Fees and LES' City Dividend	
City	1,000 kW 650,000 kWh	City	1,000 kW 650,000 kWh
Denton, NE	\$40,094	Denton, NE	\$40,094
Lincoln, NE	\$40,975	Kearney, NE	\$41,776
Colorado Springs, CO	\$43,836	Colorado Springs, CO	\$45,335
Omaha, NE	\$45,335	Des Moines, IA	\$44,044
Des Moines, IA	\$45,420	Lincoln, NE	\$47,679
Wichita, KS	\$46,656	Omaha, NE	\$41,561
Kearney, NE	\$47,679	Wichita, KS	\$52,922
Kansas City, MO	\$52,720	Kansas City, MO	\$52,954
Denver, CO	\$53,591	Denver, CO	\$53,805
Kansas City, KS	\$69,879	Minneapolis, MN	\$67,247
Minneapolis, MN	\$72,360	Kansas City, KS	\$67,474

General Service Demand Commercial (Monthly Average)			
Electric Bills using January 1, 2024 Rates, applicable Franchise Fees and LES' City Dividend		Electric Bills using 2024 Rates adjusted for changes since January 1, 2024, including proposed 2025 rate changes, and applicable Franchise Fees and LES' City Dividend	
City	75 kW 50,000 kWh	City	75 kW 50,000 kWh
Lincoln, NE	\$2,882	Lincoln, NE	\$2,973
Colorado Springs, CO	\$3,504	Colorado Springs, CO	\$3,374
Omaha, NE	\$3,567	Omaha, NE	\$3,567
Des Moines, IA	\$3,673	Des Moines, IA	\$3,623
Kearney, NE	\$3,808	Kearney, NE	\$3,808
Denton, NE	\$4,068	Denton, NE	\$4,068
Denver, CO	\$4,144	Denver, CO	\$4,175
Kansas City, MO	\$4,314	Kansas City, MO	\$4,354
Wichita, KS	\$5,180	Kansas City, KS	\$5,240
Kansas City, KS	\$5,425	Minneapolis, MN	\$5,298
Minneapolis, MN	\$5,459	Wichita, KS	\$5,488

Regional bill rankings expected to remain steady

LES Regional Utility Bill Comparison available at les.com

New Rates Proposed for 2025

As discussed at a previous Board meeting, LES is proposing two new rates for 2025:

Multi-tenant Shared Solar Rate


- Allows property owners who invest in solar to designate tenants to receive credits for solar production

Renewable Generation Standby Rider

- Accommodates large commercial and industrial customers wanting to serve their facilities with solar



Resolutions to be presented for action at October Board Meeting

- 
- 2025 Budget – Total Authorization \$474.8 million
 - 2025 Rate Schedules
 - Financing Authorization

After action, approved items will be moved along to the City Council

Dates

- ✓ August 29
- ✓ September 10
- ✓ **September 20**
- ✓ September 23
- ☐ TBD (Sept 23-Oct 17)
- ✓ September 24
- ☐ October 3
- ☐ October 18
- ☐ October 18
- ☐ October 21 – October 25
- ☐ October 28, 5:30 pm
- ☐ November 4, 3:00 pm
- ☐ November 18, 5:30 pm

Budget & Rates Schedule

- Finance Committee meeting
- Finance Committee meeting
- Board meeting – 2025 Proposed Budget & Rates presentation
- Begin customer outreach
- Customer meetings (LIBA, LJS, Chamber, Other) as requested
- Business Advisory Council
- Public meeting on proposed 2025 Budget & Rates**
- Finance Committee – review public comments
- Board meeting – action on 2025 Budget and Rates
- Individual meetings with City Council members (as requested)
- City Council first reading on 2025 Budget & Rates
- City Council public hearing on 2025 Budget & Rates
- City Council takes action on 2025 Budget & Rates