

Cleveland Public Power

RATE STUDY PHASE 1: 2025-2026

SEPTEMBER 19, 2024



Cleveland**Public**Power
Count on it



AGENDA

- Overview
- CPP Organization
- Recent Initiatives
- CPP Customers
- Current Financial Position
- Phase 1 Results



OVERVIEW



OVERVIEW

- CPP sent out a request for proposals to develop a Comprehensive Financial Plan, including Cost of Service Study and Rate & Fee Analyses for the Five-Year Period (2025-2029)
- Phase 1 – Present Rate Study results for 2025-2026 to meet Financial Obligations (results discussed today)
- Phase 2 – Present Cost of Service Findings and Rate Study for 2027-2029 (expected in 2026)



PHASE 1 GOALS AND OBJECTIVES

- Develop a plan to ensure stability and improve CPP's financial health
- Review all CPP financial requirements to ensure compliance
 - Debt Service Coverage - Increased debt payments starting in 2025
 - Total Cash balance
- Align capital and operating funding with system needs
- Review and update ancillary fees



ORGANIZATION

CPP LEADERSHIP

CPP Leadership

- Ammon Danielson, Commissioner
- Bernie Jackson, Assistant Commissioner
- Aliea McBooth, Assistant Commissioner
- Jim Ferguson, Chief Superintendent

DPU Leadership/Support for CPP

- Martin Keane, Director
- Catherine Troy, Chief Financial Officer
- Danielle Graham, Executive Commissioner
- Mark Lasic, Chief Information Officer
- Margreat Jackson, Chief of Public Affairs
- Joe Novak, Chief of Safety

INFRASTRUCTURE

50 Miles of Transmission Lines



Transmission lines carry higher voltages and larger quantities of power over long distances.

900 Miles of Distribution Lines

Distribution lines deliver lower voltage electricity to neighborhoods over a shorter distance than transmission lines.

33 Substations

Substations step down the voltage in the transmission lines to voltage that is suitable for the distribution system.

-  NON-CPP SERVICE AREA
-  EXISTING CPP SERVICE AREA

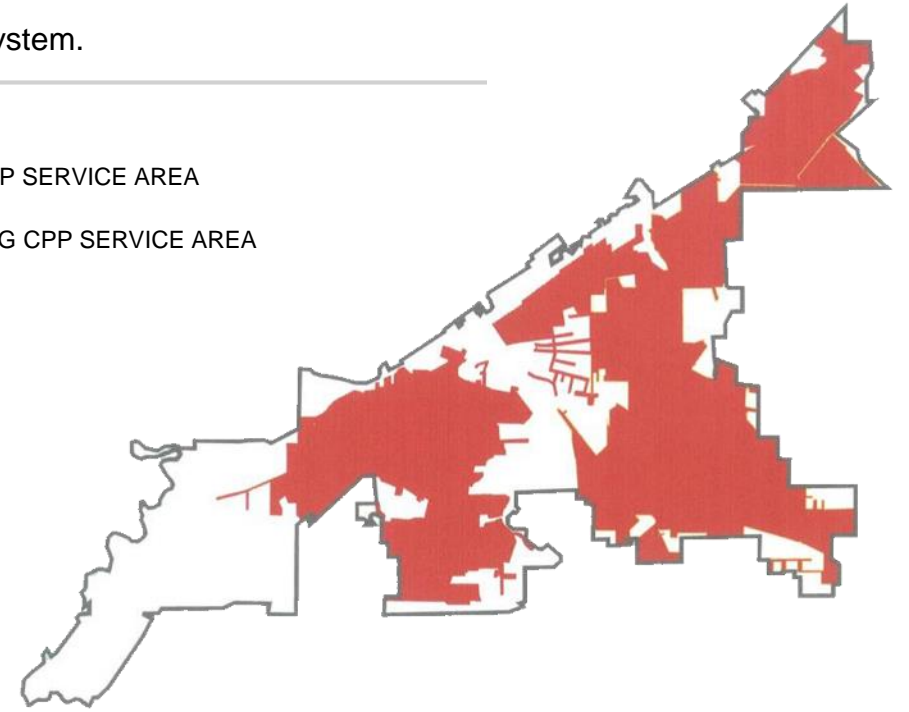
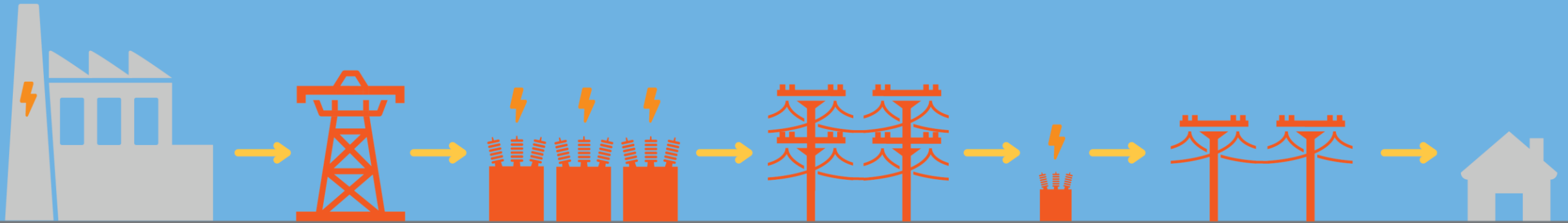
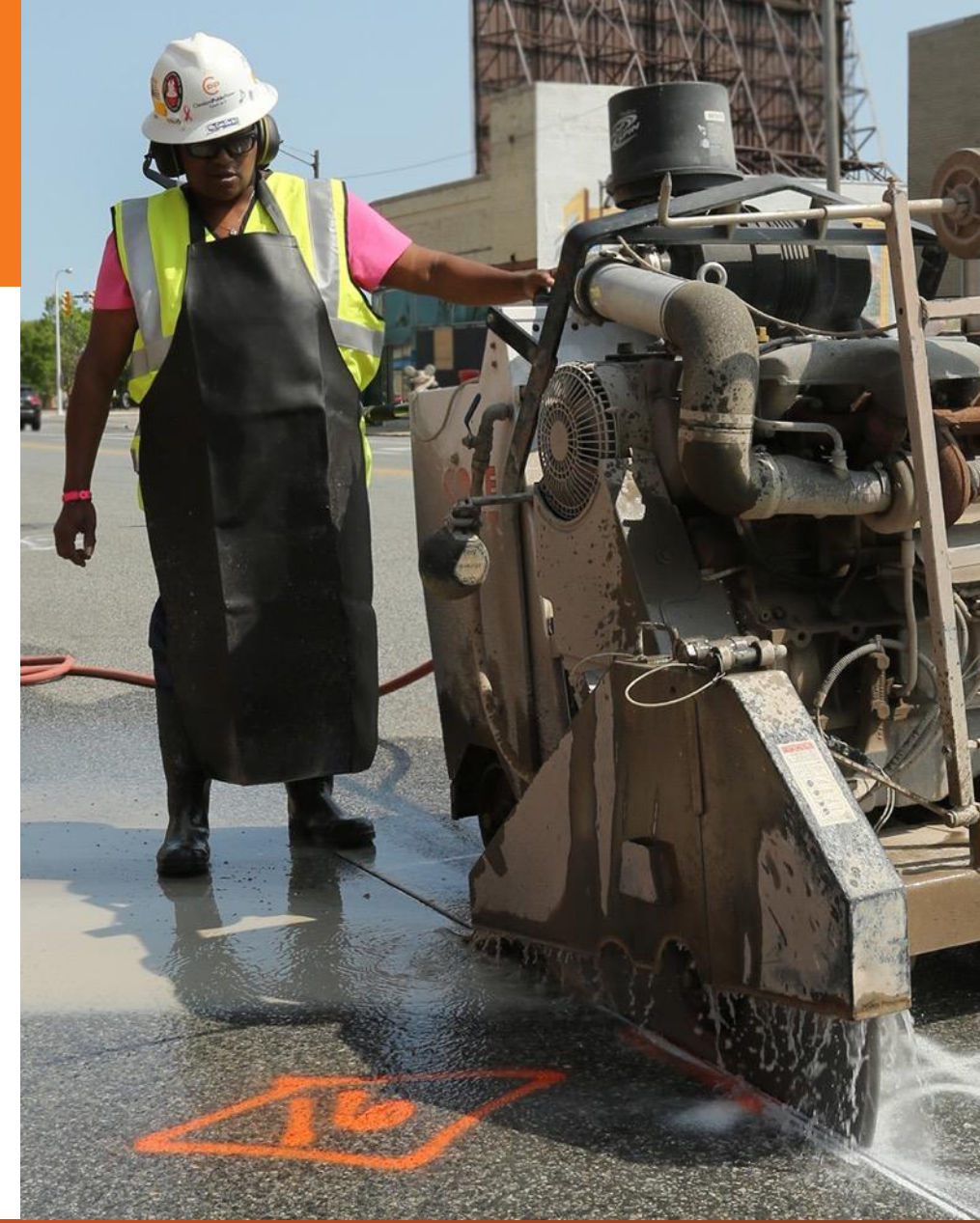


DIAGRAM OF POWER DELIVERY



WHY PUBLIC POWER IS IMPORTANT

- **Local**
 - CPP is more than just a public utility. CPP is approximately 300 of your neighbors and friends who work hard to deliver service to residents and businesses in the City of Cleveland.
 - Decisions about the operation of CPP are made locally.
- **Reliable**
 - CPP works 24/7/365 to provide service with as little disruption as possible to its customers. Between August 1, 2023 and August 1, 2024, the average system availability was over 99%.



WHY PUBLIC POWER IS IMPORTANT

- **Affordable**
 - CPP's rates are the lowest among its peers. CPP strives to keep costs down for its customers and has not had a rate increase since 1983.
- **Invested in the Community**
 - CPP is a not-for-profit enterprise. Every dollar it makes is used to keep the utility running, light city streets and provide service to its 73,000 customers.



WHY PUBLIC POWER IS IMPORTANT

- **Keeps Clevelanders in Cleveland**

- Through CPP's Apprentice Program, selected graduates of the Cleveland Metropolitan School District and other local high schools are given on-the-job training and classroom instruction to gain insight into the trade. After the first year, students choose a career path within CPP and transition into the roles of CPP apprentice interns.

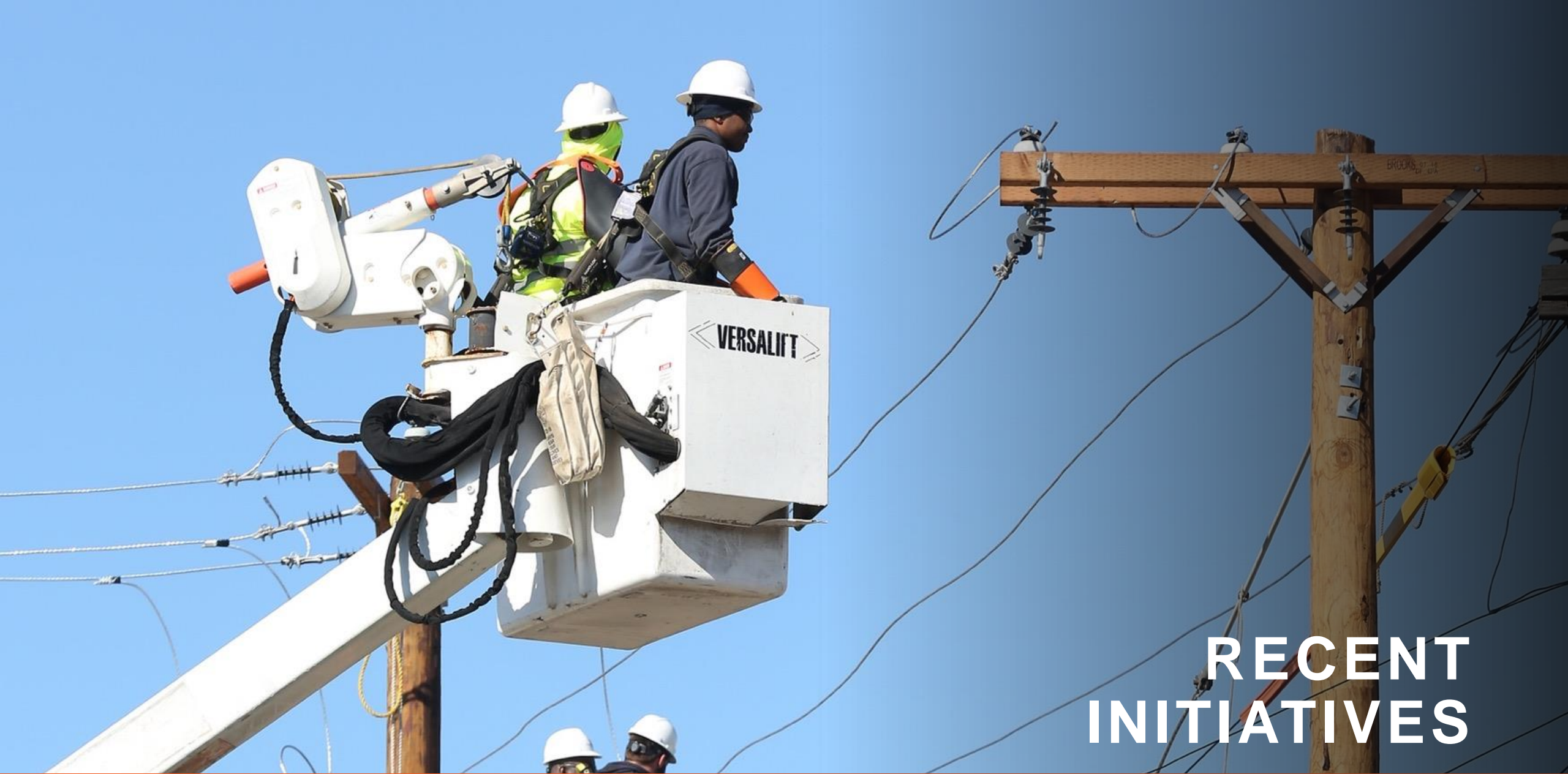
- **Innovative**

- With innovation at its core, CPP aims to increase efficiency and service delivery.
- Through the LED Streetlight Installation project, CPP has replaced approximately 60,000 streetlights so far with new, energy-efficient LED technology. This improves visibility and safety, increases the life of the lighting fixture, and reduces energy consumption.

- **Committed to Green Power**

- CPP has committed to a diverse green power supply. Green energy is about 23% of the annual power portfolio.





RECENT INITIATIVES

WHAT HAS CPP BEEN WORKING ON?

- Completed the facilities assessment
- SCADA Upgrades
- GIS
- Safety Trainings
- Cityworks
- CC&B Billings System



WHAT HAS CPP BEEN WORKING ON?

- Outage map on the website
- Tree Trimming program
- Apprentice Program
- LED Streetlights
- Working with partners for Federal and Private Grants
- Amnesty Program
- Assistance Programs (i.e. HEAP, Catholic Charities)

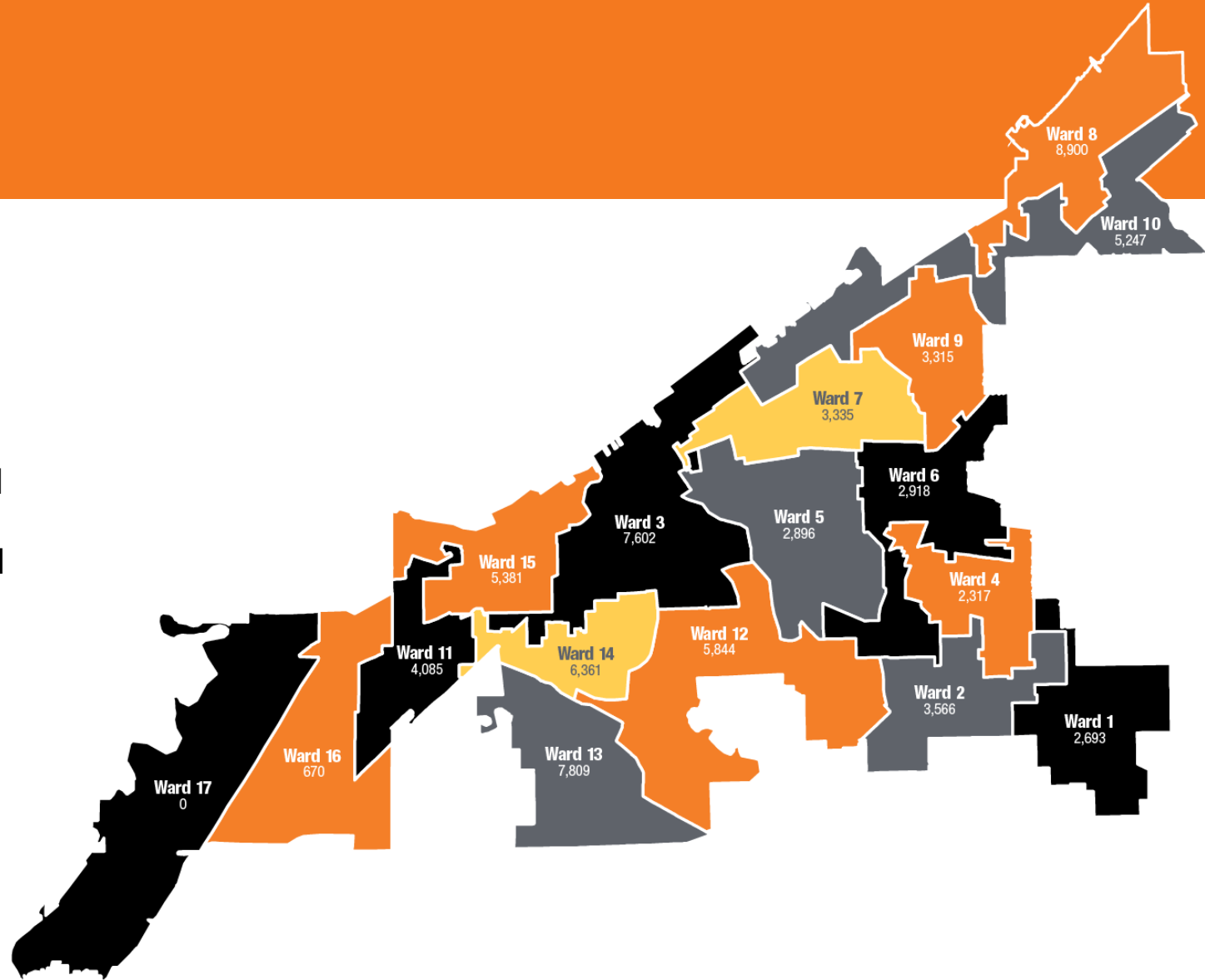




CUSTOMERS

OUR CUSTOMERS

72,938 Total
64,039 Residential
6,429 Small Commercial
682 Large Commercial
23 Industrial
1,765 Other





LARGEST CUSTOMERS

- Largest Customer is the City of Cleveland, who accounts for 20% of sales revenue
 - 9% - CWD, 8% - Traffic and Streetlights, 3% - other accounts
- Top 30 Customers after the City make up 20% of sales revenue
 - The customer list has been stable. Most changes have only happened because of new customers added



NEW CUSTOMERS SINCE 2017

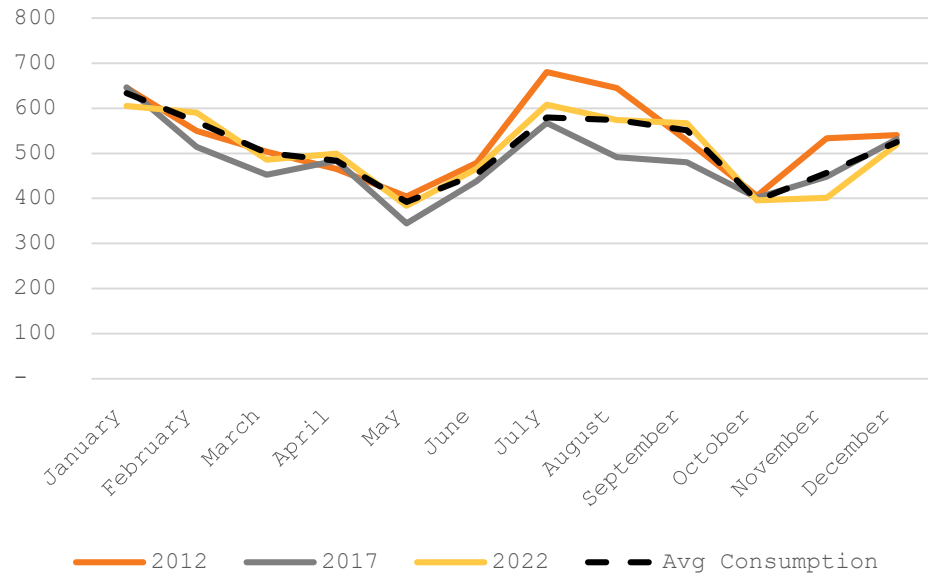
- 66 Commercial customers were signed to long term contracts
- Energized 8 new customers that are consistently in the Top 40 customer listing
- Energized 23 new apartment buildings, including over 2,700 apartments



EXPANSION EFFORTS















- Economic Development Partnership
- Sales Outreach
- Relationships with Local Developers

RESIDENTIAL CUSTOMER CHANGES



- In 2012, a residential customer typically used 532 kwh a month
- In 2022, a residential customer typically used 508 kwh a month
- Residential customers have shifted over time to include apartments, which tend to be newer construction and more energy efficient

AVERAGE KWH USAGE FOR APPLIANCES

	Air Conditioner (12,000 BTU)	300.0		Ceiling Fan	31.5
	Alarm Clock	15.0		Freezer (15 cu. ft.)	147.0
	Clothes Washer and Dryer	93.7		Space Heater	60.0
	Coffee Maker	4.7		Stove and Oven	21.3
	Computer (With Monitor and Printer)	27.4		Refrigerator/Freezer (17.5 cu. ft.)	149.9
	Dehumidifier	162.0		Television	36.6
	Dishwasher	35.0		Electric Blanket	31.5



CURRENT FINANCIAL POSITION

CPP AS AN ENTERPRISE FUND

- CPP is a major enterprise fund of the City. Enterprise funds are used to account for operations that function in a manner like private business enterprises and are financed primarily by user fees to the general public.



CPP FINANCIAL METRICS

- Active Accounts Receivable over 180 Days - \$4.5 million
- Collection rate – 98.4%
- Rating Agencies – Moody’s A3, S&P A-
- Total Bond Principal Outstanding - \$151.6 million



BUGETARY PRESSURES

- Wages and Benefits
- Cost of materials and supplies
 - Transformers
 - Wire and Cable
 - Poles
- Supply Chain
 - Natural Disasters
 - Federal oversight



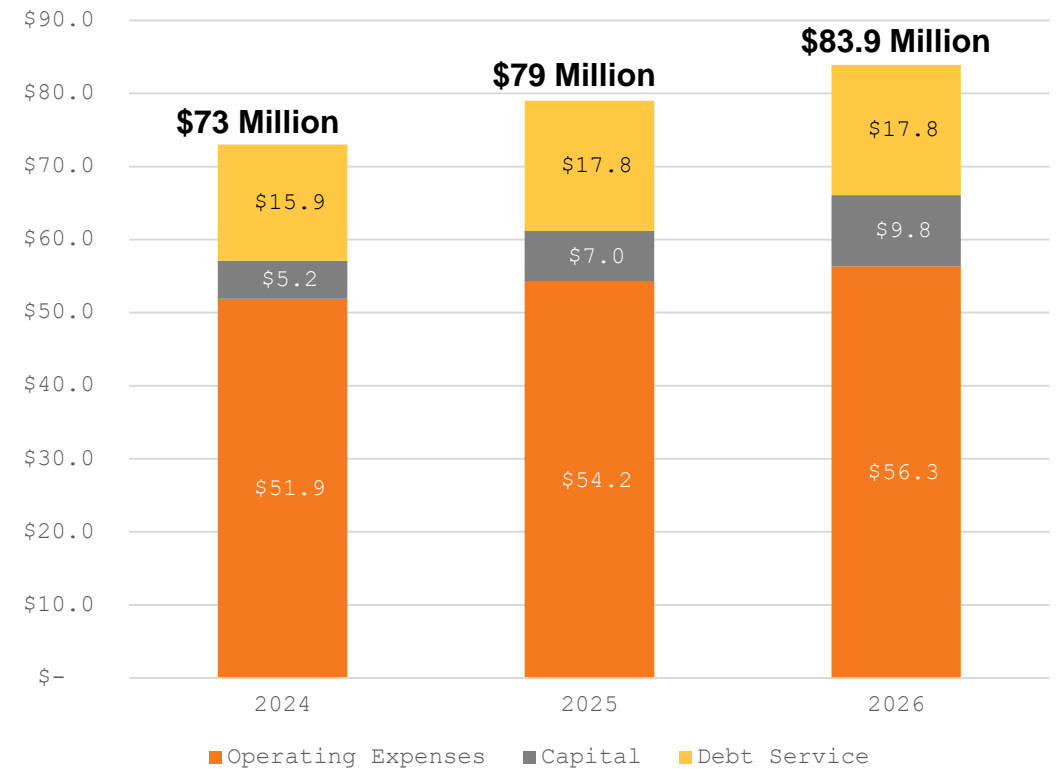


PHASE 1 RESULTS

ANNUAL REVENUE REQUIREMENT COMPARISON

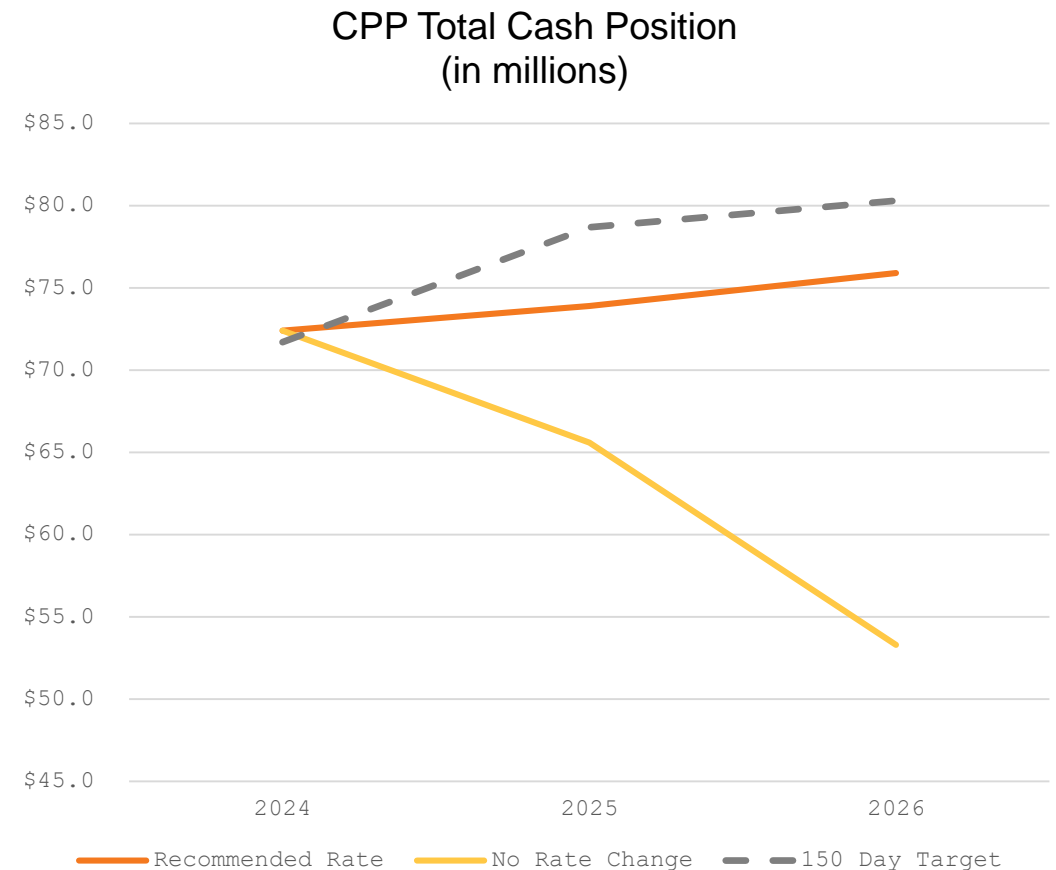
- Revenue Requirement is the total of the operation, maintenance, and capital costs that a utility must recover during the time period for which the rates will be in place.

Annual Revenue Requirement - Non-Power
(in millions)



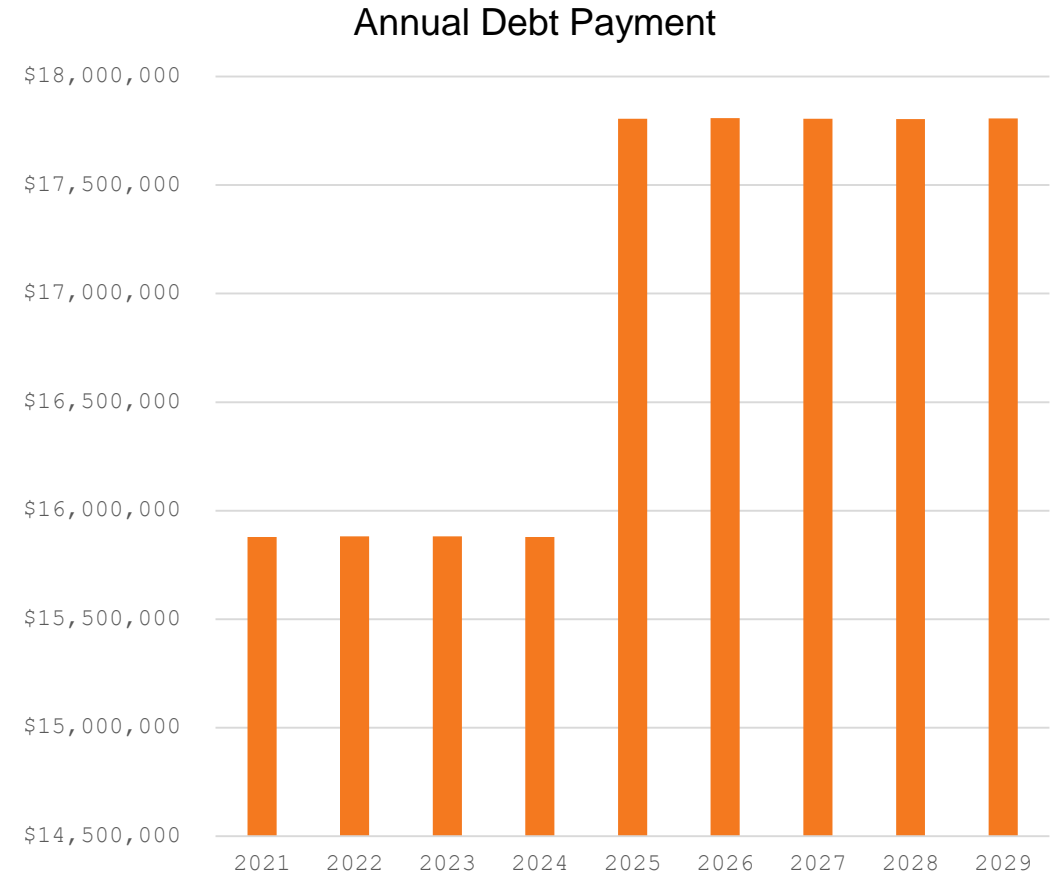
TOTAL CASH POSITION – 150 DAYS

- Cash Reserves serve 3 primary purposes
 - Ensure timely payment of bills, including purchased power
 - Maintain stable rates
 - Emergency response
- A healthy cash reserve is essential to bond rating agencies because it signals the utility can cover debt payments if revenue fall below targets, or operations costs exceed projection.
- Rating Agencies – Moody’s A3, S&P A-



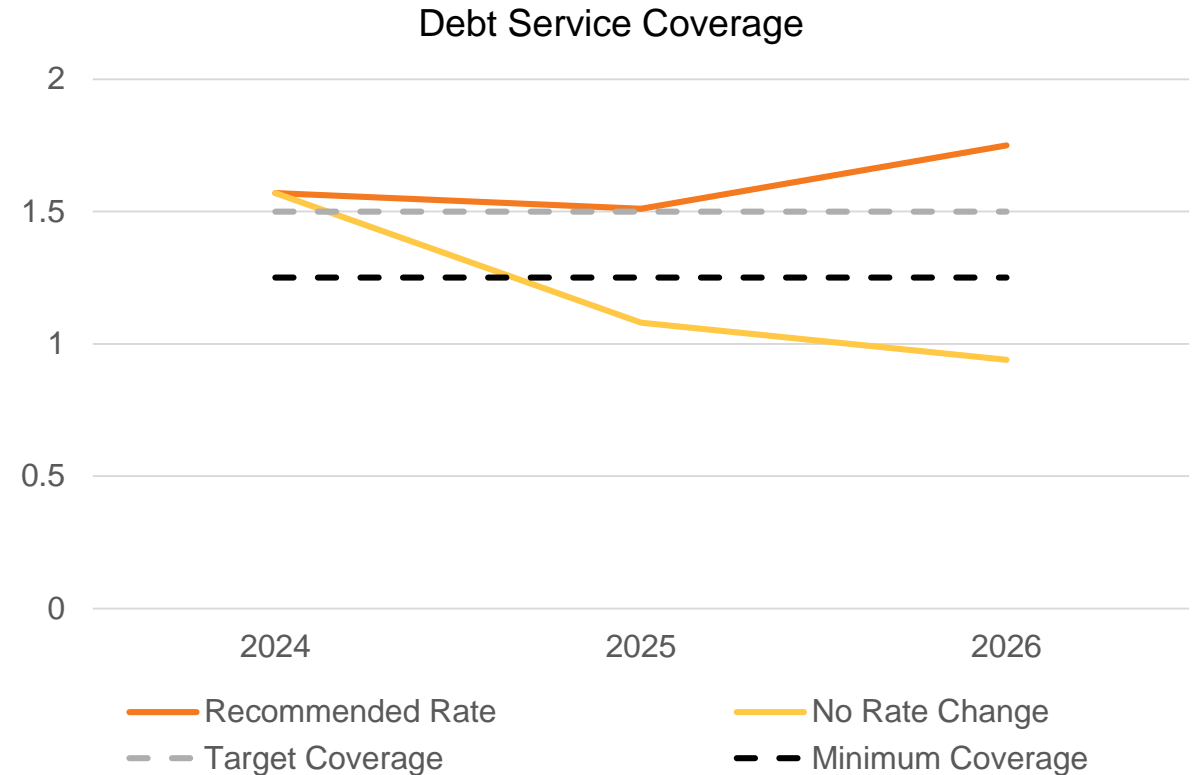
DEBT PAYMENTS 2021 - 2038

- CPP refunded debt which resulted in lower interest on several bonds; majority of savings realized through 2024. The annual debt payment will go up \$2 million in 2025.
- Debt was refunded in 2016, 2018, and 2020 – Total savings over \$37 million.
- Debt payments through 2038 – \$17.8 million per year.



DEBT SERVICE COVERAGE

- Debt Service Coverage (DSC) measures CPP's available cash flow to pay its current debt obligations. It shows lenders whether CPP has enough income to pay its debts.
- The Debt Indenture Agreement states CPP must maintain a minimum of 1.25x.
- CPP targets a minimum coverage of 1.50x to ensure compliance with Agreement.



CPP CHARGES EXPLAINED

Electricity Charge

The fixed rate that CPP charges for each kilowatt-hour (kWh) of power that a customer uses. This is to cover the cost of operations, capital and debt expenses for the Division.

Power Supply Recovery

The charge, formerly known as EAC, allows CPP to recover costs incurred for the purchase of electric power that CPP sells to its customers.

Kilowatt-Hour Tax

Tax required and set by the State of Ohio and charged for each kWh of power that a customer uses.

EXAMPLE OF CURRENT RESIDENTIAL BILL – 500 KWH

SUMMER

	Rate	Billed
Electricity Charge	\$ 0.07740	\$ 38.70
Power Supply Recovery	\$ 0.07938	\$ 39.69
kWh Tax	\$ 0.00465	<u>\$ 2.33</u>
Total		\$ 80.72

WINTER

	Rate	Billed
Electricity Charge	\$ 0.06550	\$ 32.75
Power Supply Recovery	\$ 0.07938	\$ 39.69
kWh Tax	\$ 0.00465	<u>\$ 2.33</u>
Total		\$ 74.77

RECOMMENDED RESIDENTIAL RATES

- Our customers can expect:
 - Net Increase of 6.75% in 2025
 - Net Increase of 4.50% in 2026

	SUMMER		WINTER	
	Tier 1 (0-1,000 kWh)	Tier 2 (over 1,000 kWh)	Tier 1 (0-1,000 kWh)	Tier 2 (over 1,000 kWh)
2024	\$ 0.0774	\$ 0.0752	\$ 0.0655	\$ 0.0353
2025	\$ 0.0888	\$ 0.0863	\$ 0.0752	\$ 0.0405
2026	\$ 0.0970	\$ 0.0943	\$ 0.0821	\$ 0.0443

RECOMMENDED RATE PLAN – BILL IMPACT, SUMMER

- Average CPP customer uses about 500 kWh each month
- Bills include electricity charge, Power Supply Recovery, and kWh tax.
 - Rates shown assume the Power Supply Recovery (PSR) and kWh tax remain constant.

	2024	2025	2026
200 kWh	<u>\$ 32.29</u>	<u>\$ 34.57</u>	<u>\$ 36.21</u>
Monthly Change		\$ 2.28	\$ 1.64
500 kWh	<u>\$ 80.72</u>	<u>\$ 86.42</u>	<u>\$ 90.52</u>
Monthly Change		\$ 5.70	\$ 4.10
800 kWh	<u>\$ 129.15</u>	<u>\$ 138.27</u>	<u>\$ 144.83</u>
Monthly Change		\$ 9.12	\$ 6.56

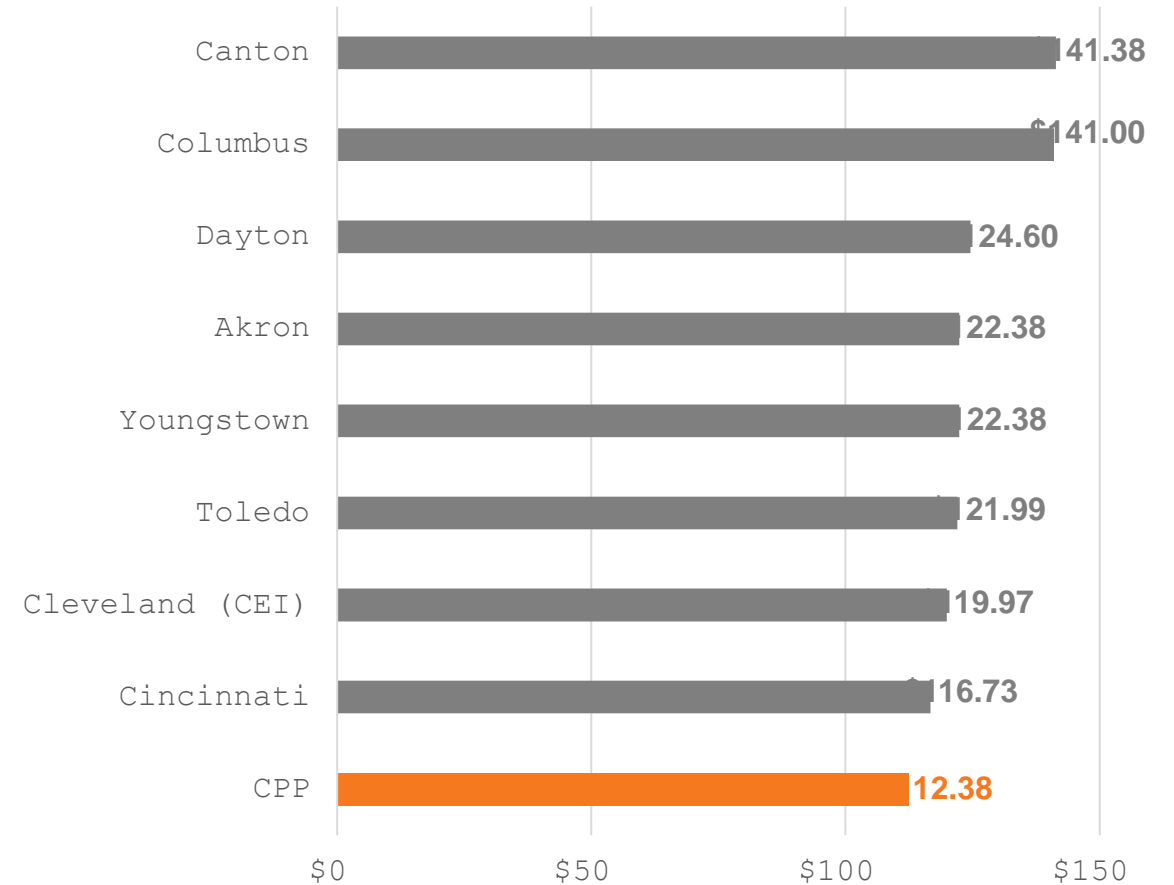
RECOMMENDED RATE PLAN – BILL IMPACT, WINTER

- Average CPP customer uses about 500 kWh each month
- Bills include electricity charge, Power Supply Recovery, and kWh tax.
 - Rates shown assume the Power Supply Recovery (PSR) and kWh tax remain constant.

	2024	2025	2026
200 kWh	<u>\$ 29.91</u>	<u>\$ 31.85</u>	<u>\$ 33.23</u>
Monthly Change		\$ 1.94	\$ 1.38
500 kWh	<u>\$ 74.77</u>	<u>\$ 79.62</u>	<u>\$ 83.07</u>
Monthly Change		\$ 4.85	\$ 3.45
800 kWh	<u>\$ 119.63</u>	<u>\$ 127.39</u>	<u>\$ 132.91</u>
Monthly Change		\$ 7.76	\$ 5.52

2023 RESIDENTIAL RATE COMPARISONS

- The Public Utilities Commission of Ohio (PUCO) publishes the average bill for various areas of the State.
 - Comparison of rates are based on 750 kWh
 - Average bill is before the kwh tax





SUMMARY

- CPP is vital to Cleveland.
- Every dollar CPP makes is used to serve our customers and meet financial obligations.
- Rates are among the lowest in the State.
- CPP keeps Clevelanders in Cleveland, creating a talent hub of skilled workers.
- As a City asset, CPP must remain flexible and adaptable to provide necessary services.