

Accept Report #1 on the Proposed 2025 Budget

RECOMMENDATION:

The General Manager respectfully requests the Commission accept Report #1 on the Proposed 2025 Budget and Strategic Plan.

Future updates to this ongoing report will be shown in strike-and-underline throughout.

BACKGROUND:

Moorhead Public Service (MPS) staff has been updating financial forecasts and gathering key (preliminary) inputs for the 2025 budget to include items such as purchased power costs, transmission costs, Southwest Power Pool (SPP) Transmission Cost Reimbursement, transfer payments to the City of Moorhead (City), operating expenses, and capital improvements. In addition, MPS staff has provided City staff with the preliminary 2025 estimated transfer amounts to the City.

The Commission has taken the following actions that will impact MPS' 2025 budget, rates, and financial forecasts:

January 2024

- Approve Task Order No. 8 with Apex Engineering Group, Inc., for Orthophosphate Additions at Water Treatment Plant

February 2024

- Approve Task Order No. 9 with Short Elliott Hendrickson, Inc., for Ozone Generator and Equipment Replacement Project
- Approve Action Concurring with Moorhead City Council Resolution Accepting Offer on Sale of \$27,810,000 Public Utility Revenue Bonds, Series 2024A, and Providing for Their Issuance

April 2024

- Approve Electric Fund Transfer Agreement for 2024-2026 with the City of Moorhead

May 2024

- Approve Short Elliott Hendrickson's Recommendation and Authorize Purchase of Ozone Generator Replacement Equipment

June 2024

- Approve Amendment #1 to Task Order No. 8 with Apex Engineering Group, Inc., for Orthophosphate Additions at MPS' Water Treatment Plant

September 2024

- Approve Specifications and Authorize Advertisement for Bids for 2025 Electrical Materials
- Approve Specifications and Authorize Advertisement for Bids for 2024/2025 Tree Trimming

After reviewing and discussing current and future projects and items that could impact future rates at a Budget Working Group meeting on September 24, 2024, the group agreed that MPS should present suggested rate changes of 2.0 percent overall for electric services, and 4.0 percent overall for water services at the Rate Hearings to be held on October 14, 2024.

KEY ISSUES:

Preliminary operating and long-term capital project planning information was presented to the Budget Working Group on September 24, 2024.

- Electric Division:
 - After reviewing preliminary inputs and discussing items, the Budget Working Group agreed to present a proposed, and overall, rate increase of 2.0 percent for 2024. This fell within the previously communicated potential range of rate impacts from no increase to up to a 4 percent increase for 2025 electric rates.
 - Preliminary information from MPS' purchased power providers indicated that both providers will have rate increases in 2025 and 2026. Information received from Missouri River Energy Services (MRES) indicated likely power cost increases of 3.45 percent for 2025, and an additional 3.5 percent increase for 2026. In addition, MRES indicated that transmission costs will increase 3.5 percent annually over the same time period. Preliminary indications that MPS received from Western Area Power Administration (WAPA) indicated a very high likelihood that WAPA rates are expected to increase 7.5 percent in 2025, and another 7.5 percent in 2026.
 - The Budget Working Group reviewed the history and mechanics behind the third Electric Fund Transfer Agreement currently in place with the City and is comfortable with the 2025 impact, which will result in an annual increase of \$125,000 in the floor of the General Fund transfer.
- Water Division:
 - After reviewing preliminary inputs and discussing items, the Budget Working Group agreed to present a proposed overall rate increase of 4.0 percent for 2024. This fell within the previously communicated potential range of rate impacts between 2.0 and 6.0 percent for 2025 water rates.

Respectfully Submitted,



Travis L. Schmidt
General Manager

Division/Response Person: Mark Moilanen, Finance Division Manager.

Attachments:

Budget Binder (PSC Only—distributed separately)