

## **Accept Report #1 on the Proposed 2024 Budget**

### **RECOMMENDATION:**

The General Manager respectfully requests the Commission accept Report #1 on the Proposed 2024 Budget and Strategic Plan.

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

### **BACKGROUND:**

Moorhead Public Service (MPS) staff is updating financial forecasts and gathering key (preliminary) 2023 inputs, such as purchased power costs, transmission costs, Southwest Power Pool Transmission Cost Reimbursement, transfer payments to the City of Moorhead (City), operating expenses, and capital improvements. MPS staff has provided City staff with the preliminary 2024 transfer amounts to the City.

The Commission has taken the following actions that will impact MPS' 2024 budget, rates, and financial forecasts:

#### January 2023

- Award Bid for Furnishing Control Panels at Moorhead DOE Tap Substation
- Approve Electric Rate Study Proposal from Missouri River Energy Services

#### February 2023

- Approve Specifications and Authorize Advertisement for Bids for 11th Street Underpass Relocation Projects
- Approve Change Order No. 1 with Border States Industries, Inc., for Circuit Breakers at Moorhead DOE Tap Substation
- Award Bid for Construction at Moorhead DOE Tap Substation
- Approve Contract with Western Area Power Administration for 230-KV Transmission Line Construction Services Related to the Moorhead DOE Tap Substation Project
- Approve Amended Policy on Residential Meter Relocation Credit (AMI)

#### March 2023

- Rescind Award of Bid and Award Bid to the Next Lowest, Qualified Bidder for Furnishing Control Panels at Moorhead DOE Tap Substation
- Approve Policy of Non-Operational Equipment During Advanced Metering Infrastructure Project

#### April 2023

- Award Bid for Underground Boring for Electric Line Relocations Related to 11th Street Underpass Grade Separation Project (a/k/a 11th Street Underpass Relocation Projects)
- Approve Engagement Letter Agreement with Baker Tilly for Advisory Services (Bonding)

#### June 2023

- Approve Utility Relocation Agreement with MnDOT for Reimbursement for Electric Line Relocations Related to the City of Moorhead's 11th Street Grade Separation Project

September 2023

- Approve Specifications and Authorize Advertisement for Bids for 2024 Electrical Materials
- Approve Specifications and Authorize Advertisement for Bids for 2023/2024 Tree Trimming
- Approve Task Order No. 10 with DGR Engineering for Capacity Improvements Study
- Approve Task Order No. 2023-2 with Sandman Structural Engineers for Brookdale Substation Security Wall Redesign for Future Replacement

MPS' 2023 Budget Working Group, comprised of Commissioners Kristine Thompson, Heidi Durand, and Joel Paulsen, met with MPS' Professional and Supervisory staff on October 5, 2023, and discussed the following preliminary information:

- Commission Policy on Financial Strength (December 2017)
- Missouri River Energy Services' (MRES') 2023 Electric Rate Study draft findings and recommendations
- Electric Division Budget (September 2023)
  - Capital Expenditures and Financing
  - Operating Budget Major Components
  - 2023-2033 Financial Forecast
  - 2024-2033 Rate Forecast
  - 2024 Rate Recommendations
- Water Division Budget (September 2023)
  - Capital Expenditures and Financing
  - Operating Budget Major Components
  - 2023-2033 Financial Forecast
  - 2024-2034 Rate Forecast
  - 2024 Rate Recommendations

After reviewing and discussing the materials at the October 5, 2023, meeting, the Budget Working Group agreed that MPS should present suggested rate changes of 2.5 percent overall for electric services, and 4.0 percent overall for water services at the Rate Hearings to be held on October 17, 2023.

**KEY ISSUES:**

Preliminary operating and long-term capital project planning information was presented to the Budget Working Group on October 5, 2023.

- Electric Division:
  - After reviewing preliminary inputs and discussing items, the Budget Working Group agreed to present a proposed, and overall, rate increase of 2.5 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 2024 electric rates.
  - Preliminary information from MPS' purchased power providers indicated that MRES has proposed power cost increases of 2.7 percent for 2024 and 5 percent increases for 2025 and 2026, with transmission costs to increase an average of 5 percent annually over the same time period. Preliminary indications received by MRES from Western Area Power Administration project a high likelihood that WAPA rates are expected to increase between 7 and 9 percent in 2025.

- The Budget Working Group reviewed the history and mechanics behind the second Electric Fund Transfer Agreement (Transfer Agreement) currently in place with the City and is comfortable with the 2023 impact, which results in an annual increase of \$125,000 in the floor of the General Fund transfer. The Budget Working Group is aware that negotiations are underway to enter into a new Transfer Agreement for upcoming years before the current Transfer Agreement expires on December 31, 2023.
- Water Division:
  - After reviewing preliminary inputs and discussing items, the Budget Working Group agreed to present a proposed, and overall, rate increase of 4.0 percent for 2024. This fell within the previously-communicated potential range of rate impacts between 2 and 5 percent for 2024 water rates.

Respectfully Submitted,



Travis L. Schmidt  
General Manager

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

**Attachments:**

Budget Binder (PSC Only—distributed separately)