

Memorandum

To: Craig Spinale, General Manager

From: Maria Makar-Limanov, Finance and Procurement Manager

Date: January 8, 2024

Re: Belmont Light 2024 BUDGET

Presented for your attention is the 2024 Budget which closely mirrors the structure and allocations of the previous year, maintaining a strategic alignment with Belmont Light priorities and goals. With minimal noticeable changes, this budget reflects a commitment to consistency and stability, ensuring that financial resources are allocated in a manner consistent with our strategies and current economic conditions.

During 2022 Belmont Light underwent a cost of service study and as a result, instituted moderate rate increases effecting the period from January 1st, 2023 through December 31st, 2024. The organization is planning to undergo another cost of service study in 2024 to review existing rates and adjust them as necessary, in order to be at the fore front of industry rate design trends.

The budget numbers contained herein are estimated based on expected power load/sales and other operating expenses, such as payroll, distribution system maintenance, general & admin, capital and other expenses. For the purposes of this document, 2023 results are estimated as a combination of actual numbers through November and projected December revenues and expenses as previously budgeted for the year.

2024 Revenues and Expenses highlights:

- System Load is projected based on the 3-year historical average with a modest increase of 1.53%.
- Electric sales are projected based on expected load with a loss factor of 5%, which represents a conservative percentage based on prior years actual data and industry loss averages:
 - allocation between revenue classes is done based on actual 2023 consumption as no significant changes in behavior are expected.
 - kWh sales are projected to be 2.64% higher compared to unaudited 2023 actual sales.
 - TOU revenues are not projected as they are assumed to be revenue neutral.
 - Power Cost Adjustment (PCA) related estimate is projected to over-collect ~\$1.5M through the end of the year.
- Other operating revenues are budgeted based on average 5-year numbers adjusted for expected changes and operations anticipated in 2024:
 - fees and penalties charged to customers and scrap metal revenues are budgeted conservatively.
 - Rebate related expenses previously budgeted as reduction of operating revenues were reclassified effective 2024 and included in O&M Expenses.
- Non-operating revenues are traditionally budgeted conservatively and include only revenues from billing services rendered to DPW for water and sewer billing.



- Purchased power expense is projected based on combination of expected cost of power provided by ENE, estimated credits provided to Belmont’s solar customers and expected expense related to cost of RECs:
 - it is budgeted that the existing Power Supply Policy is extended through 2024 providing for 100% non-emitting power portfolio achieved through direct power contracts and supplemented by non-generating RECs purchases. It is estimated that the Class I RECs percentage is aligned with CES requirements for the budgeted year (26%).
- Operating and maintenance expenses include expected commitments to the vendors related to services and materials, payroll related expenses, pension and health obligations as well as other post-employment payments as follows:
 - General increase of cost of materials and services is projected based on existing commitments and expected changes as per negotiations
 - Significant increase (28%) in Demand Side Management related expenses as a response to current industry requirements and public requests.
 - Payroll increase related to new IBEW agreement.
- Non-operating revenues and expenses include conservative projections of interest income earned on cash accounts (Depreciation fund, Rate Stabilization fund, etc.) and interest paid on a long-term bond for system conversion project.

For 2024 Belmont Light forecasts ratios and KPIs are as follows:

KPIs & Ratios	GOAL	FINAL
Income before contributions and transfers	N/A	2,799,700
Rate of Return (DPU: (Income less PILOT)/Assets)	2 - 3%	2.14%
Debt Service Coverage Ratio	1.3 - 1.5	1.81
Operating Ratio	0.859	0.870
Rate Stabilization Fund coverage, months	3	3.4
Depreciation (Construction) Fund coverage, %	15%	15%
Operating Cash	N/A	5,164,264

Maria Makar-Limanov
 Finance & Procurement Manager
 Belmont Light