

Cleveland Public Power

C O S T O F S E R V I C E R A T E S T U D Y

PHASE 2: YEARS 2027–2029



Cleveland**PublicPower**
Count on it

An aerial photograph of Cleveland, Ohio, showing the city skyline with prominent skyscrapers like the Terminal Tower and the Shaker Square Tower. In the foreground, a large multi-arched bridge spans a river, with residential neighborhoods and industrial areas visible below. The sky is overcast with soft, diffused light.

AGENDA UPDATE

- Why Public Power
- Customers
- Proactive Measures
- Financial Background
- Phase 2 Process & Objectives
- Phase 2 Results



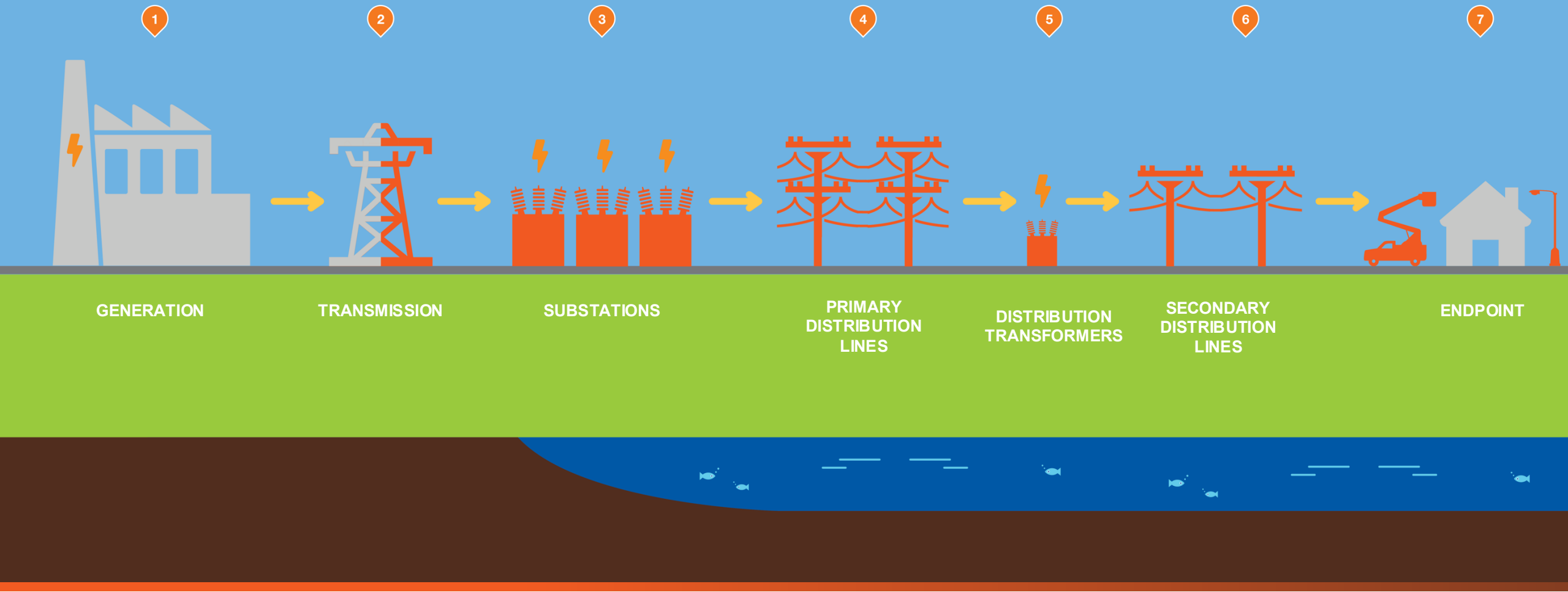
WHY PUBLIC POWER

WHY PUBLIC POWER IS IMPORTANT

- Local
- Reliable
- Affordable
- Invested in the community
- Keeps Clevelanders in Cleveland
- Innovative
- Committed to green power



DIAGRAM OF POWER DELIVERY





CUSTOMERS

OUR CUSTOMERS

74,534 Total

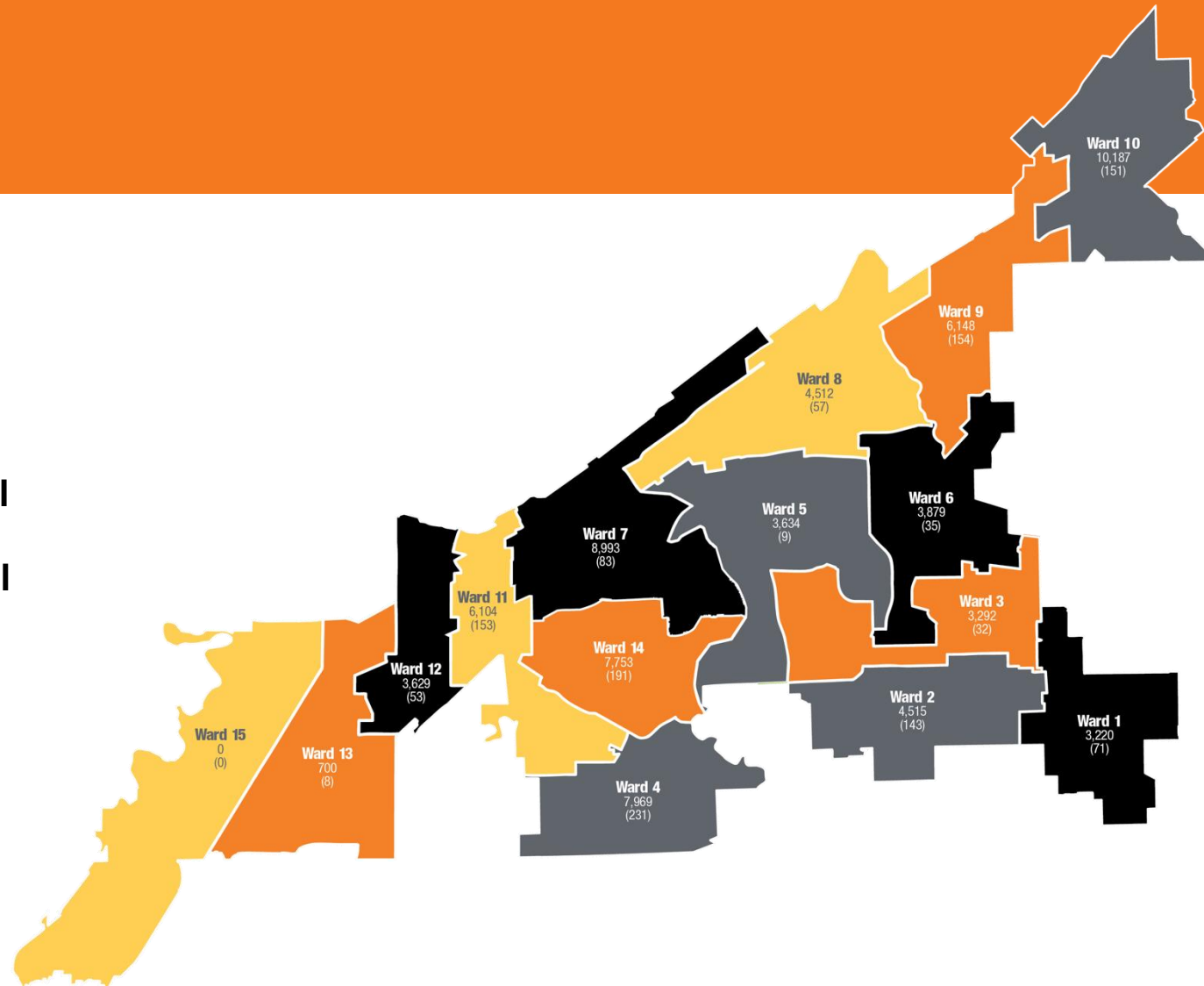
65,756 Residential

6,397 Small Commercial

685 Large Commercial

21 Industrial

1,675 Other





LARGEST CUSTOMERS

- Largest customer is the City of Cleveland, who accounts for 20% of sales revenue
 - 10% - CWD, 7% - Traffic and Streetlights, 3% - other accounts
- Top 30 customers after the City make up 24% of sales revenue
 - The customer list has been stable. Most changes have only happened because of new customers added.
- 3 new commercial accounts in top 100 customers
- Contracts have been signed for 4 new apartment complexes that have over 300 units combined

AVERAGE KWH USAGE FOR APPLIANCES(PER MONTH)

	Air Conditioner	300		Ceiling Fan	18		Dehumidifier	90
	Water Heater	135		Freezer (Upright)	30		Dishwasher	27
	Clothes Washer & Dryer	75		Space Heater	135		Television	12
	Coffee Maker	9		Stove and Oven	27		Electric Blanket	9
	Computer (with Monitor)	99		Refrigerator	36		LED Lightbulb	2



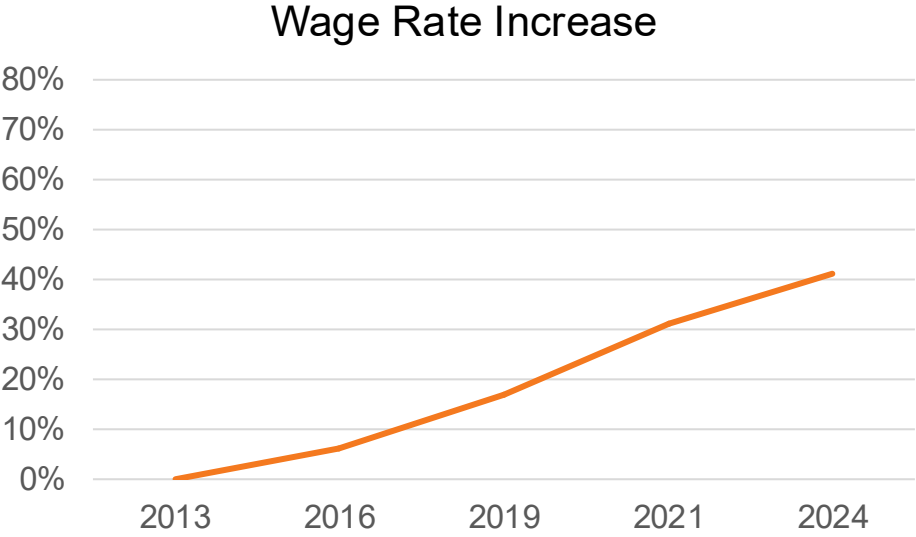
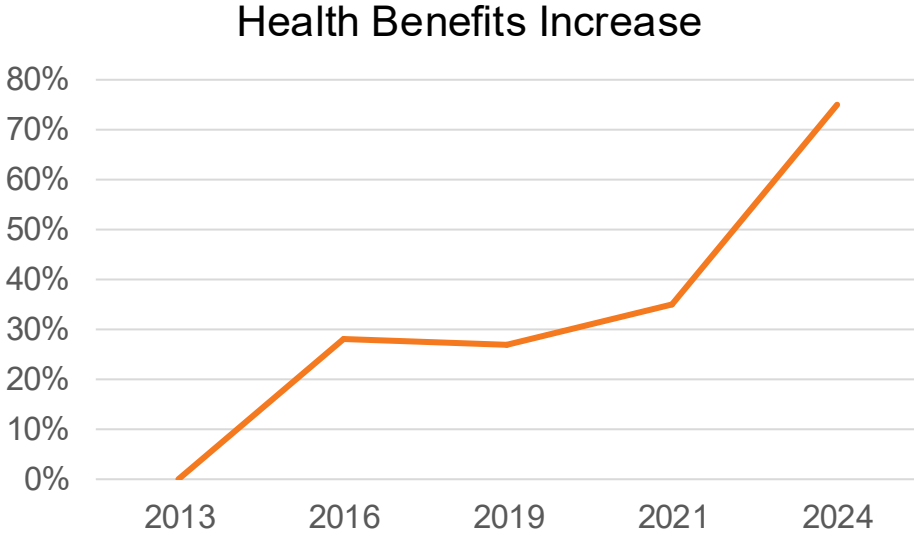
FINANCIAL BACKGROUND

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.

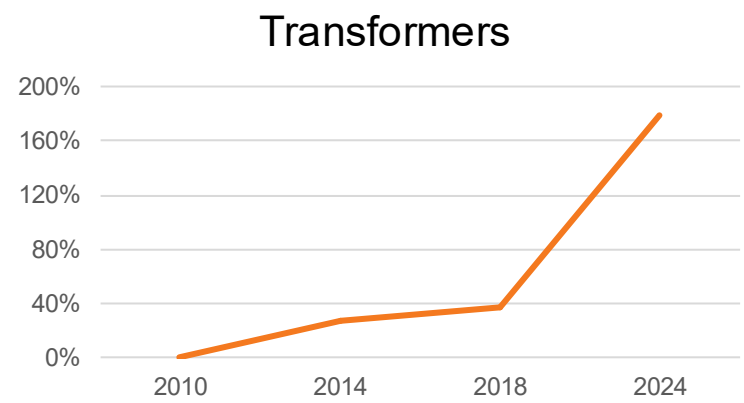
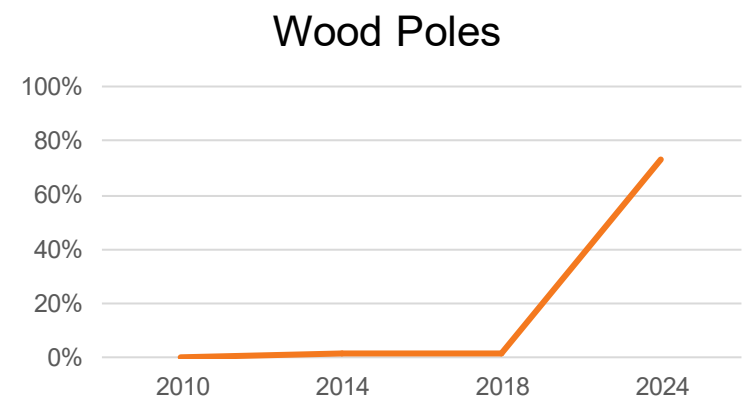
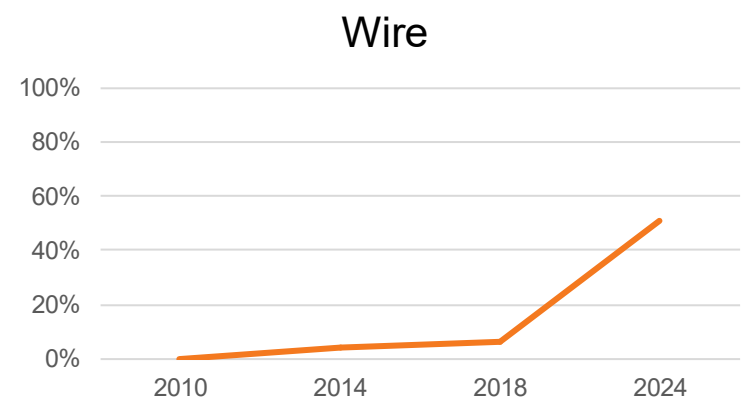
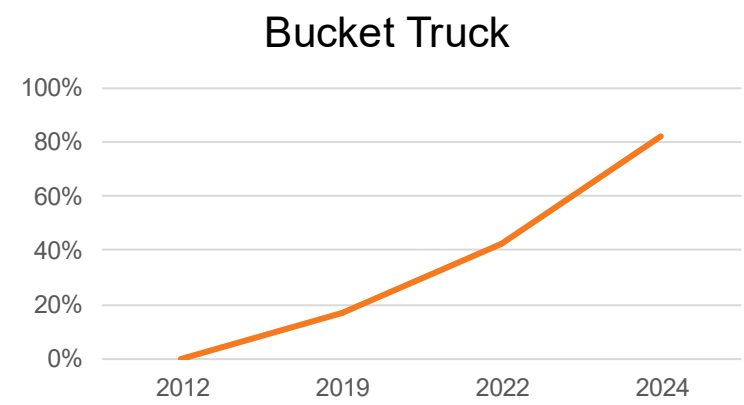


BUGETARY CONSIDERATIONS: WAGE & HEALTH BENEFITS



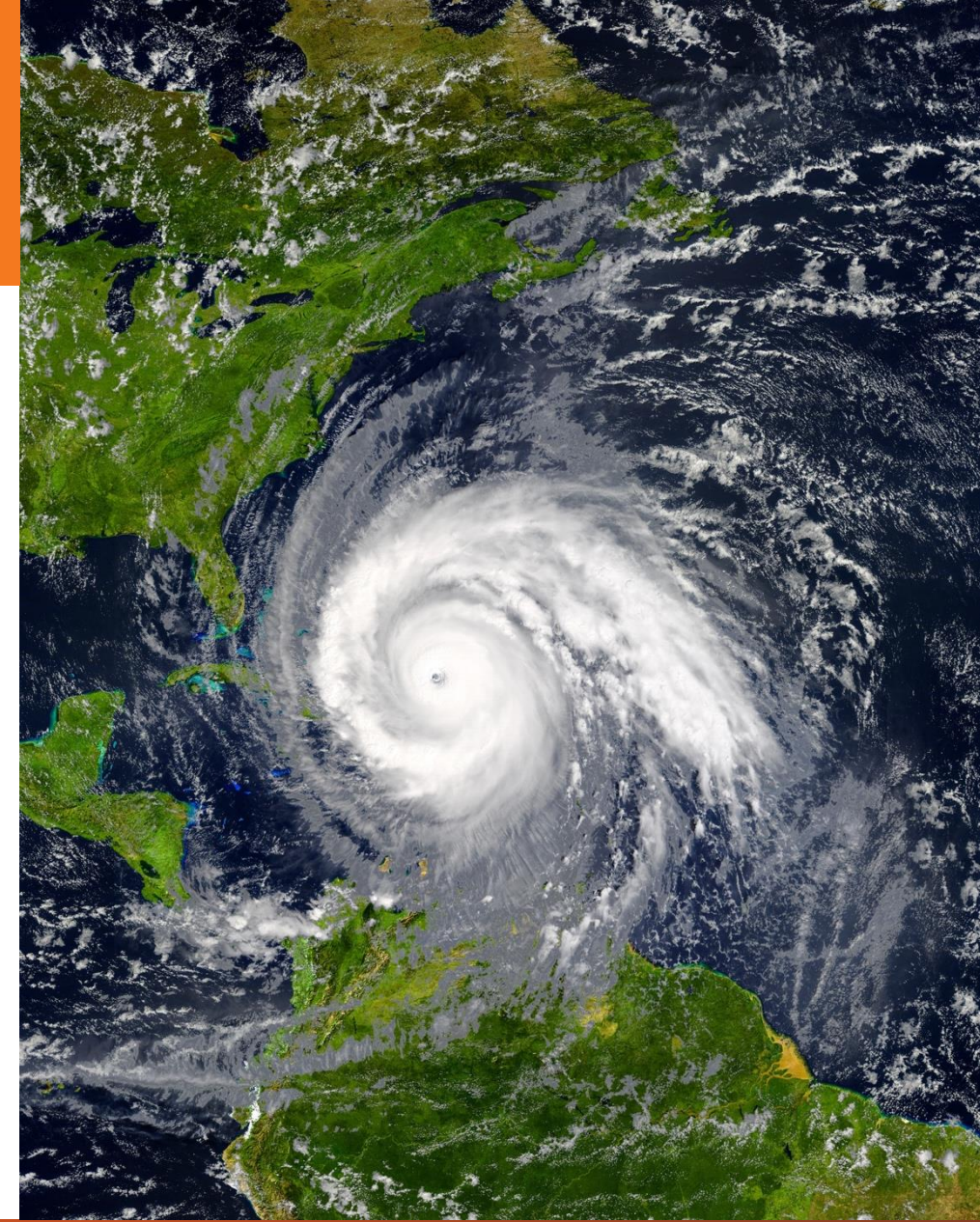
*Example: Sr. Line Worker

BUGETARY CONSIDERATIONS: COMMODITIES & EQUIPMENT



BUGETARY CONSIDERATIONS: SUPPLY CHAIN

- Supply chain
 - Lead time increase
 - Natural disasters
 - Federal oversight



MAJOR FUNDING 2025 & 2026

- Substation Maintenance - \$9.3 million
- SCADA Improvements - \$1.4 million
- Renewable Energy - \$15.3 million





PROACTIVE MEASURES

- CPP refunded debt for savings in 2016, 2018, and 2020
- Facilities assessment
 - Council approved in 2019 and final report presented in 2022
- Rate study/cost of service
 - Council approved in 2022
 - Phase 1 presented in 2024 for 2025 and 2026 rates
 - Phase 2 presented in 2026 for 2027, 2028, and 2029 rates
- Strategic Plan prepared



PHASE 2 PROCESS & OBJECTIVES

PURPOSE OF COST OF SERVICE STUDY

- Equitably distribute the revenue requirements between various customer classes served by CPP. The study determines what cost differences, if any, exist between the different classifications.
- CPP has seven (7) main customer classifications
 - Residential
 - Small Commercial
 - Large Commercial
 - Large Industrial
 - Street Lighting
 - Protective Lights
 - Other



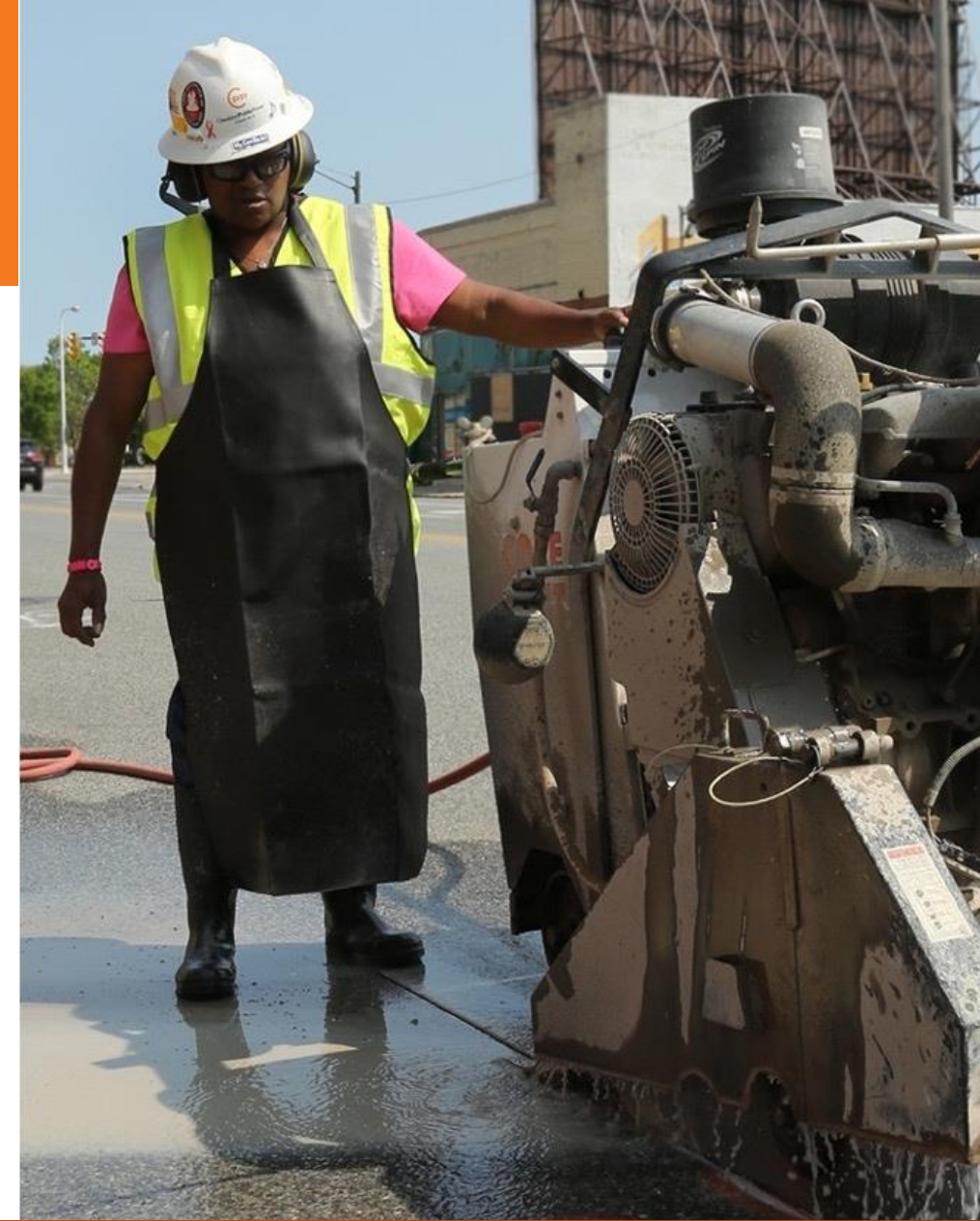
RATE DESIGN PRINCIPLES

- Efficiency
- Customer impacts
- Equitable and fair rates
- Revenue recovery and rate stability
- Affordability
- Ease of implementation
- Simple to understand and update



COST OF SERVICE TIMELINE

- Council approved the RFP legislation in 2022 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. Council approved in 2024
- Phase 2 – Present cost of service findings and rate study for 2027-2029 (presentation today)





PHASE 2 GOALS AND OBJECTIVES

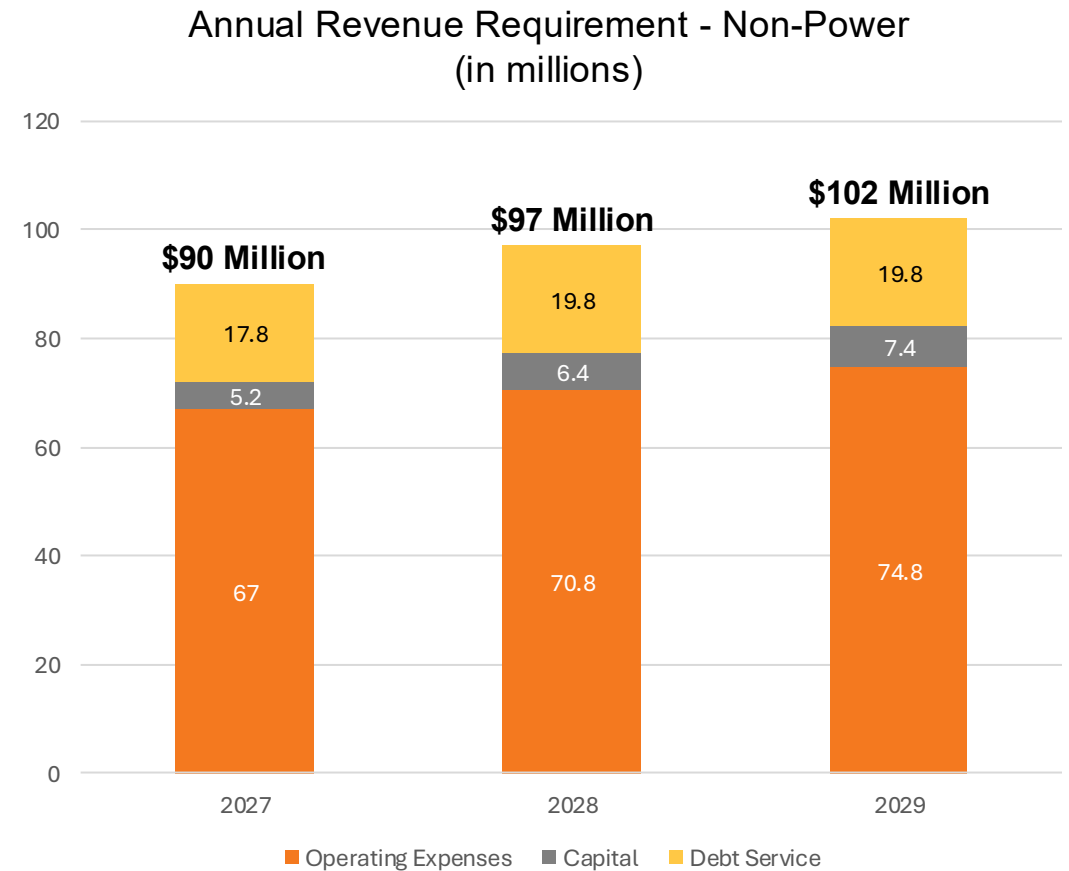
- Develop a plan to ensure stability and improve CPP's financial health
- Review all CPP financial requirements to ensure compliance
 - Debt service requirements
 - Total cash balance
- Complete the cost of service and update rate structure
- Align capital and operating funding with system needs
- Update ancillary fees



PHASE 2 RESULTS

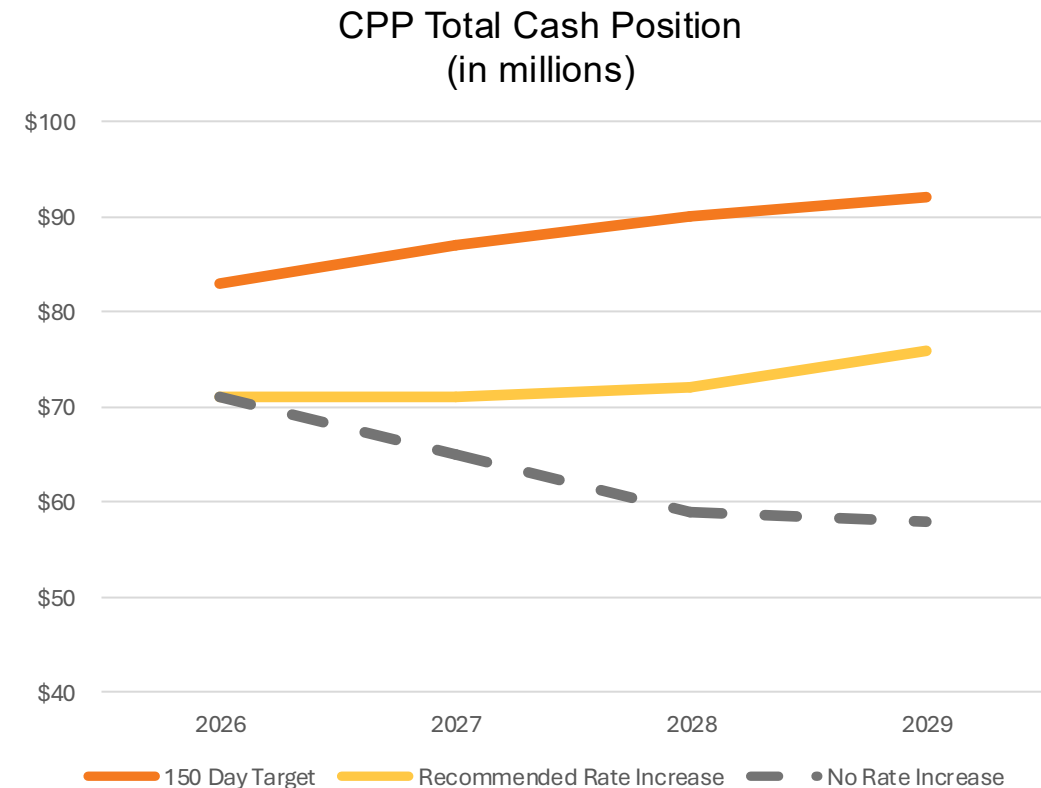
ANNUAL REVENUE REQUIREMENT COMPARISON

- Revenue Requirement is the summation of the operation, maintenance, and capital costs that a utility must recover during the time period for which the rates will be in place.
- Requirement assumes CPP will issue \$30 million in bonds in 2028.



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 falls below targets, or operating costs exceed projection.
- Rating Agencies – Moody's A3, S&P A-



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.
- As an industry best practice, CPP targets a minimum coverage of 1.50x to ensure compliance with the Agreement.
- CPP expects to meet coverage target with the recommended rate design.



CPP CHARGES EXPLAINED

Power Delivery Charges

These charges are used to cover the cost of operations, capital and debt expenses.

Usage Charge

The charge for each kilowatt-hour (kWh) of power that a customer uses.

Fixed Charge

A set charge per billing period.

Power Supply Recovery (PSR)

This charge 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.

RECOMMENDED RESIDENTIAL RATE DESIGN CHANGES

- Residential customers will have usage charges based on an inclining block schedule.
- Fixed Charge assessed per billing period.

	SUMMER (in kWh)			WINTER (in kWh)			FIXED CHARGE
	Block 1 (0-250)	Block 2 (251-500)	Block 3 (over 500)	Block 1 (0-250)	Block 2 (251-500)	Block 3 (over 500)	
2027	\$0.0933	\$0.0986	\$0.1095	\$0.0790	\$0.0834	\$0.0927	\$2.00
2028	\$0.1013	\$0.1070	\$0.1189	\$0.0858	\$0.0906	\$0.1007	\$4.00
2029	\$0.1102	\$0.1164	\$0.1293	\$0.0934	\$0.0985	\$0.1096	\$5.00

EXAMPLE OF 2026 RESIDENTIAL BILL – 500 KWH

SUMMER		
	Rate	Billed
Electricity Charge	\$ 0.09700	\$ 48.50
PSR	\$ 0.10339	\$ 51.70
kWh Tax	\$ 0.00465	<u>\$ 2.33</u>
Total		\$ 102.53

WINTER		
	Rate	Billed
Electricity Charge	\$ 0.08210	\$ 41.05
PSR	\$ 0.10339	\$ 51.70
kWh Tax	\$ 0.00465	<u>\$ 2.33</u>
Total		\$ 95.08

EXAMPLE OF 2027 RESIDENTIAL BILL – 500 KWH

		SUMMER		WINTER	
	Units Charged	Rate	Billed	Rate	Billed
Power Delivery Charge					
Block 1	250	\$ 0.09330	\$ 23.33	\$ 0.07900	\$ 19.75
Block 2	250	\$ 0.09860	\$ 24.65	\$ 0.08340	\$ 20.85
Fixed Charge			\$ 2.00		\$ 2.00
PSR	500	\$ 0.10339	\$ 51.70	\$ 0.10339	\$ 51.70
kWh Tax	500	\$ 0.00465	<u>\$ 2.33</u>	\$ 0.00465	<u>\$ 2.33</u>
Total Billed			\$ 104.01		\$ 96.63

RECOMMENDED RATE PLAN – BILL IMPACT, SUMMER

- Average CPP customer uses about 500 kWh each month.
- Bills include Power Delivery Charges, PSR, and kWh Tax.
 - Rates shown assume the PSR and kWh Tax remain constant.

	2026	2027	2028	2029
200 kWh	\$ <u>41.01</u>	\$ <u>42.27</u>	\$ <u>45.87</u>	\$ <u>48.65</u>
Monthly Change		\$ 1.26	\$ 3.60	\$ 2.78

500 kWh	\$ <u>102.53</u>	\$ <u>104.01</u>	\$ <u>110.11</u>	\$ <u>115.68</u>
Monthly Change		\$ 1.48	\$ 6.10	\$ 5.57

800 kWh	\$ <u>164.03</u>	\$ <u>169.26</u>	\$ <u>178.18</u>	\$ <u>186.87</u>
Monthly Change		\$ 5.23	\$ 8.92	\$ 8.69

RECOMMENDED RATE PLAN – BILL IMPACT, WINTER

- Average CPP customer uses about 500 kWh each month.
- Bills include Power Delivery Charges, PSR, and kWh Tax.
 - Rates shown assume the PSR and kWh Tax remain constant.

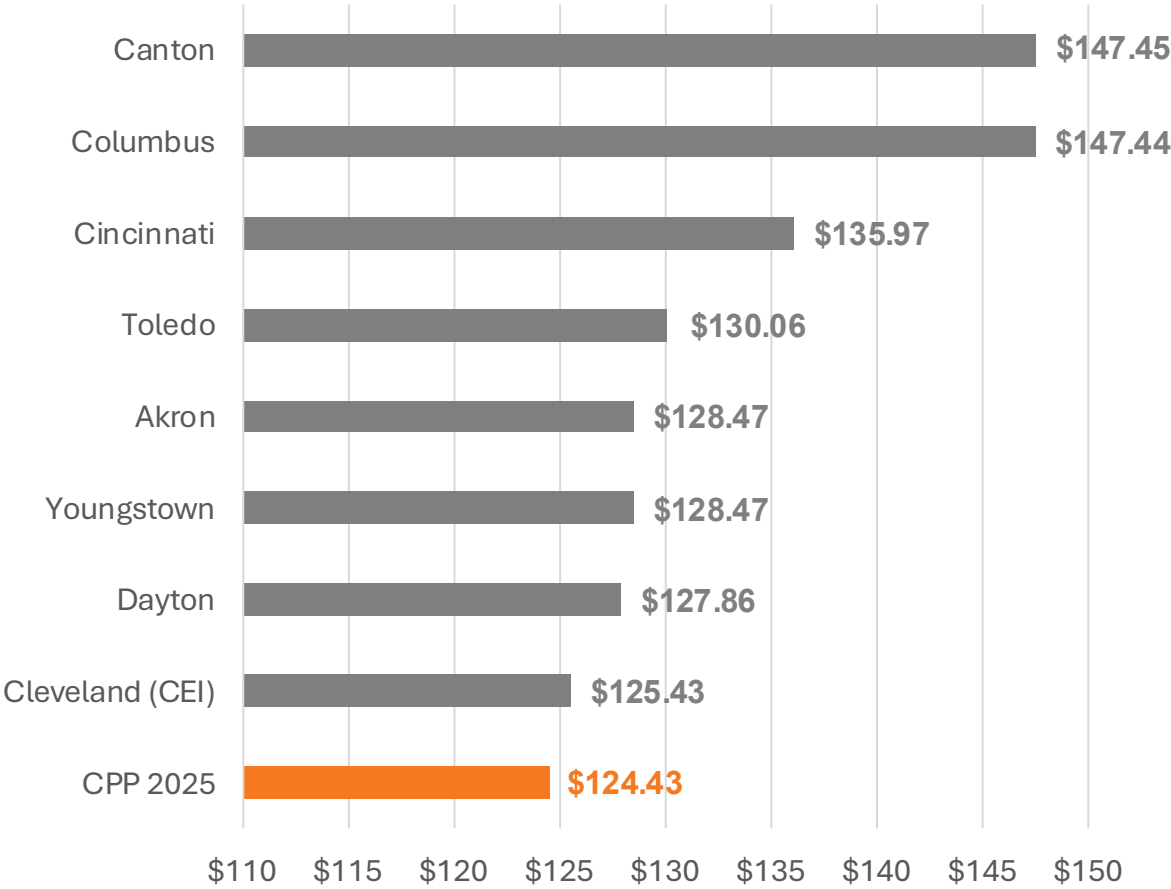
	2026	2027	2028	2029
200 kWh	\$ <u>38.03</u>	\$ <u>39.41</u>	\$ <u>42.77</u>	\$ <u>45.29</u>
Monthly Change		\$ 1.38	\$ 3.36	\$ 2.52

500 kWh	\$ <u>95.08</u>	\$ <u>96.63</u>	\$ <u>102.13</u>	\$ <u>107.01</u>
Monthly Change		\$ 1.55	\$ 5.50	\$ 4.88

800 kWh	\$ <u>152.11</u>	\$ <u>156.84</u>	\$ <u>164.74</u>	\$ <u>172.29</u>
Monthly Change		\$ 4.73	\$ 7.90	\$ 7.55

2025 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.





NEXT ACTIONS FOR CPP

- Approval of the rates presented for 2027, 2028, and 2029
- Strategic Plan public engagement
- Key recruitments
- New debt in 2028 for capital projects, legislation in 2027
- Rate study/cost of service legislation in 2027, results in 2029