



Webinar:
**Electric Cooperative and Public
Power Utilities 2024 Outlook:
Mandates, Rising Costs and
Diminishing Affordability**

Thursday, May 23, 2024
8 a.m. (PT) / 9 a.m. (MT)
10 a.m. (CT) / 11 a.m. (ET)



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Keynote Speakers



Tamra Reynolds
Managing Director,
Electric Distribution
CoBank

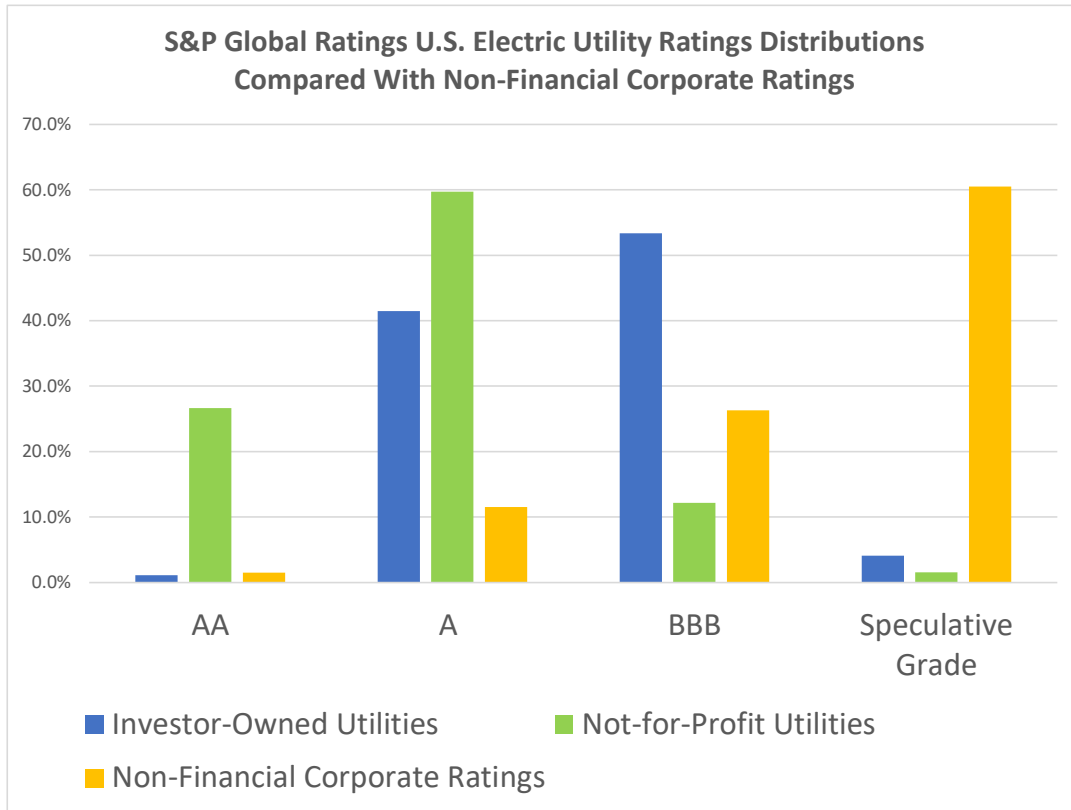


JT Parker
VP Infrastructure Credit,
CoBank



David Bodek
Managing Director &
Sector Leader,
S&P Global Ratings

Exposures Weighing On Financial Metrics And Ratings



- Ratings on investor-owned and not-for-profit utilities are solidly anchored in investment-grade rating categories
- Electric utilities benefit from cost recovery frameworks that are not available to other industries that face uncertain cost recovery prospects
- Nevertheless, the strength of rate relief, electric utility financial metrics, and credit ratings depend on:
 - The costs of energy transition mandates
 - Spending needs in support of load growth
 - Infrastructure hardening costs to withstand climate events such as wildfires, polar vortices and hurricanes
 - Amounts of uninsured liability claims
 - Consumer wherewithal to support higher electric rates

**Electric Utilities Are Facing
Acute Financial Pressures;
Diminished Consumer Affordability
Exacerbates Those Pressures**

Decarbonization Is A Costly Proposition:

- Although already sourcing half of its energy from renewable sources, the Los Angeles Department of Water and Power projects at Least \$60 Billion of additional costs to decarbonize by 2035
- What might the proportional costs be for more carbon intensive utilities?

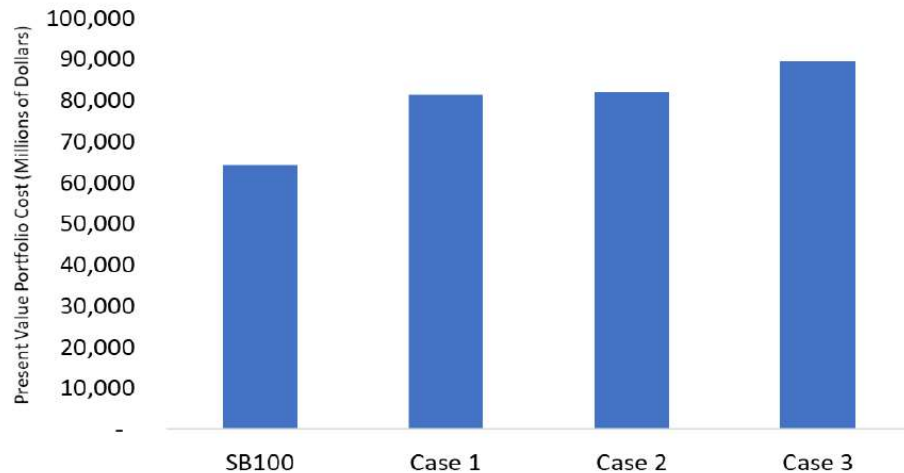
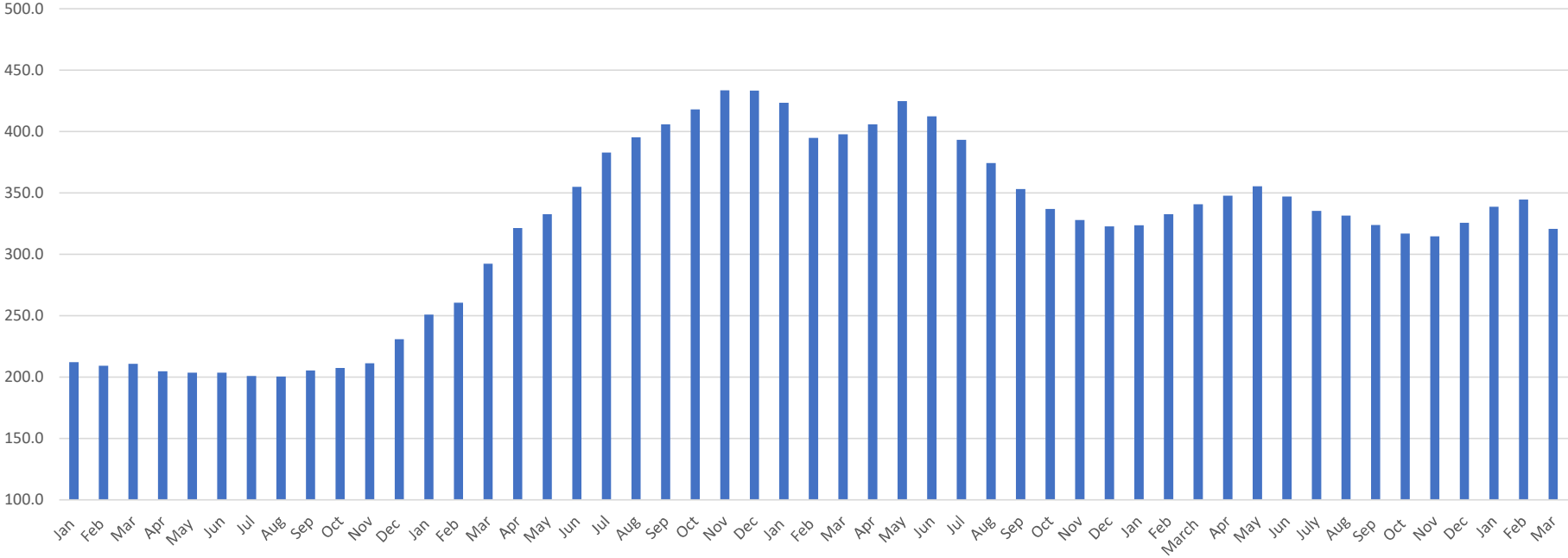


Figure 13. Total net present value bulk power cost for each SLTRP scenario. Total cost for each scenario includes fixed costs, including but not limited to capital expenditures, power purchase agreements, and debt service, and also includes variable costs. Examples of variable costs include fuel, GHG allowance credits, and maintenance.

Source: LADWP Strategic Long-Term Resource Plan

Costs Of Construction Materials Essential To Decarbonization Are Pressuring Retail Electric Rates (As are labor and financing costs)

Producer Price Index for Iron and Steel Jan 2020 - Mar 2024

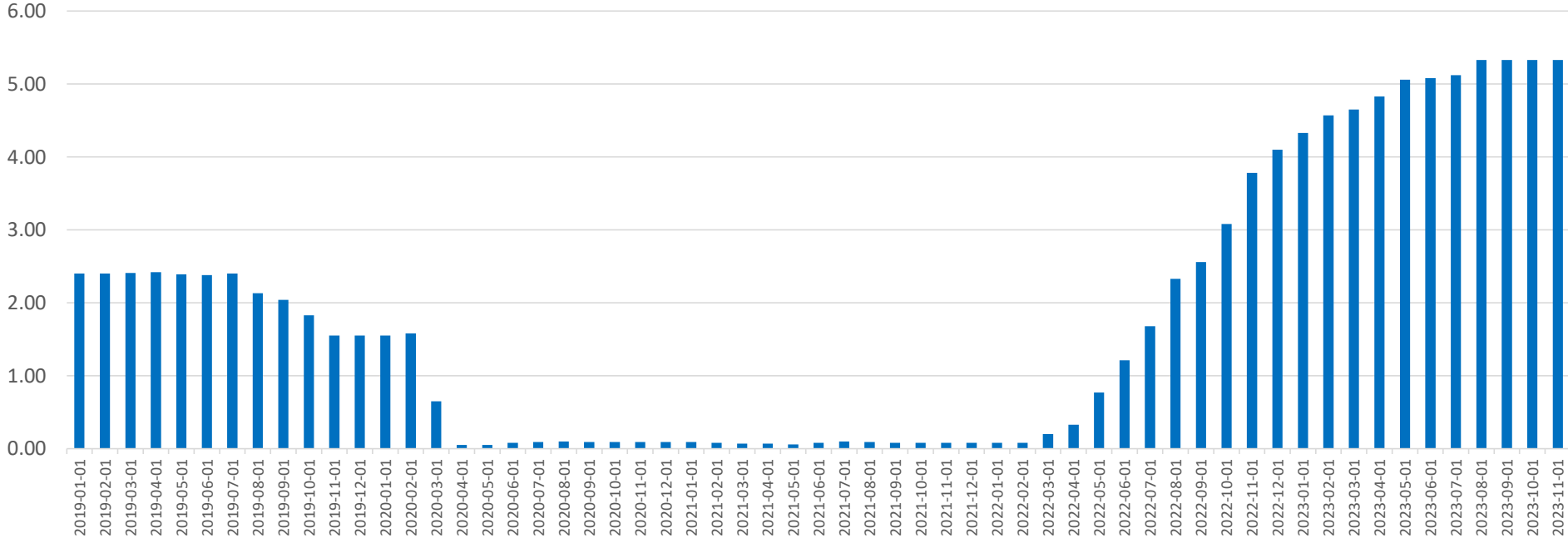


Source: Bureau of Labor Statistics

Capital Intensive Utilities Are Facing Inflated Borrowing Costs

Federal Funds Rate (%)

January 2019 - November 2023



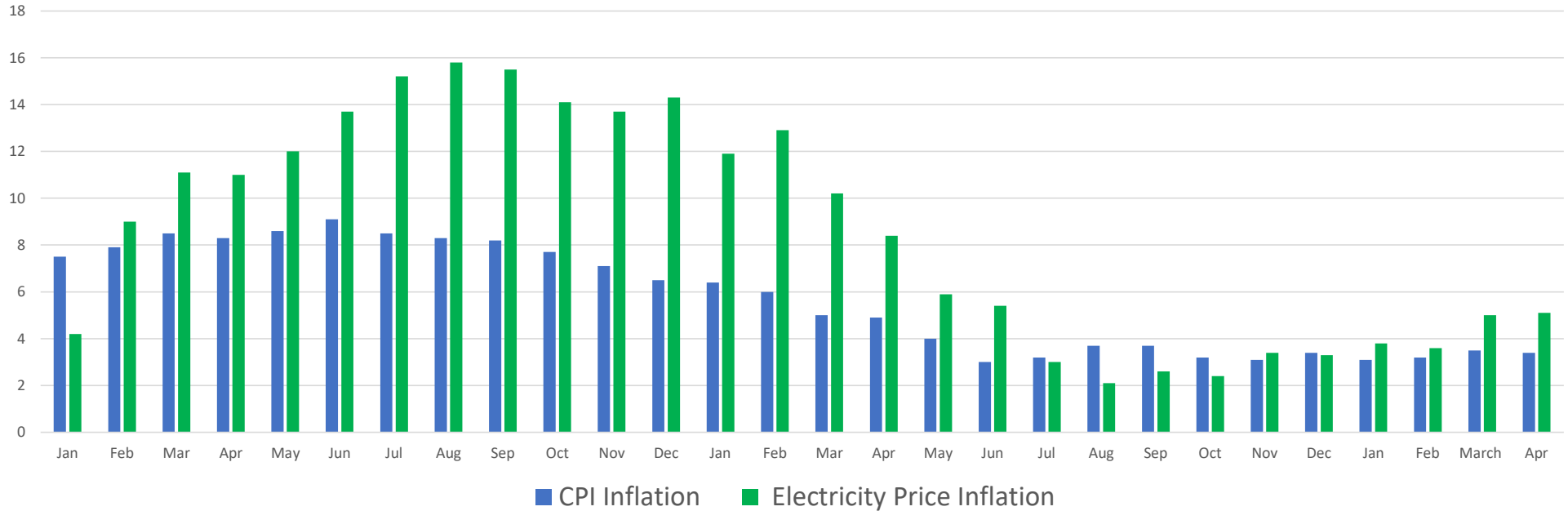
Source: Federal Reserve

The Rate of Inflation Has Slowed But Consumer Prices Are Not Declining, Which Can Adversely Affect Consumers' Capacity to Make Timely Retail Electricity Payments

Retail Electric Rate Increases Have Significantly Outpaced The Broader CPI . . .

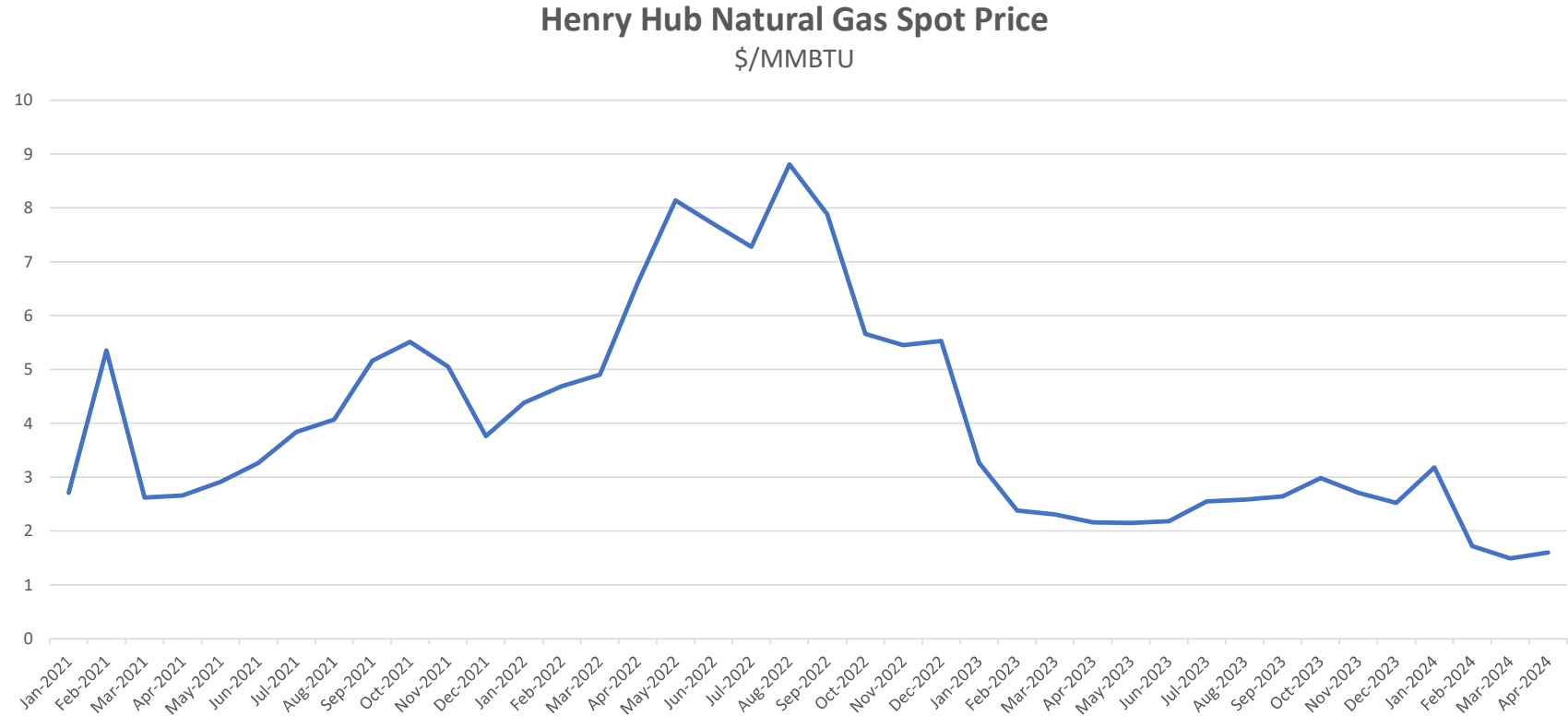
Retail Electricity Price Change (%) Versus CPI Change (%)

Jan 2022-Forward (Lagging 12 Months)



Source: Bureau of Labor Statistics

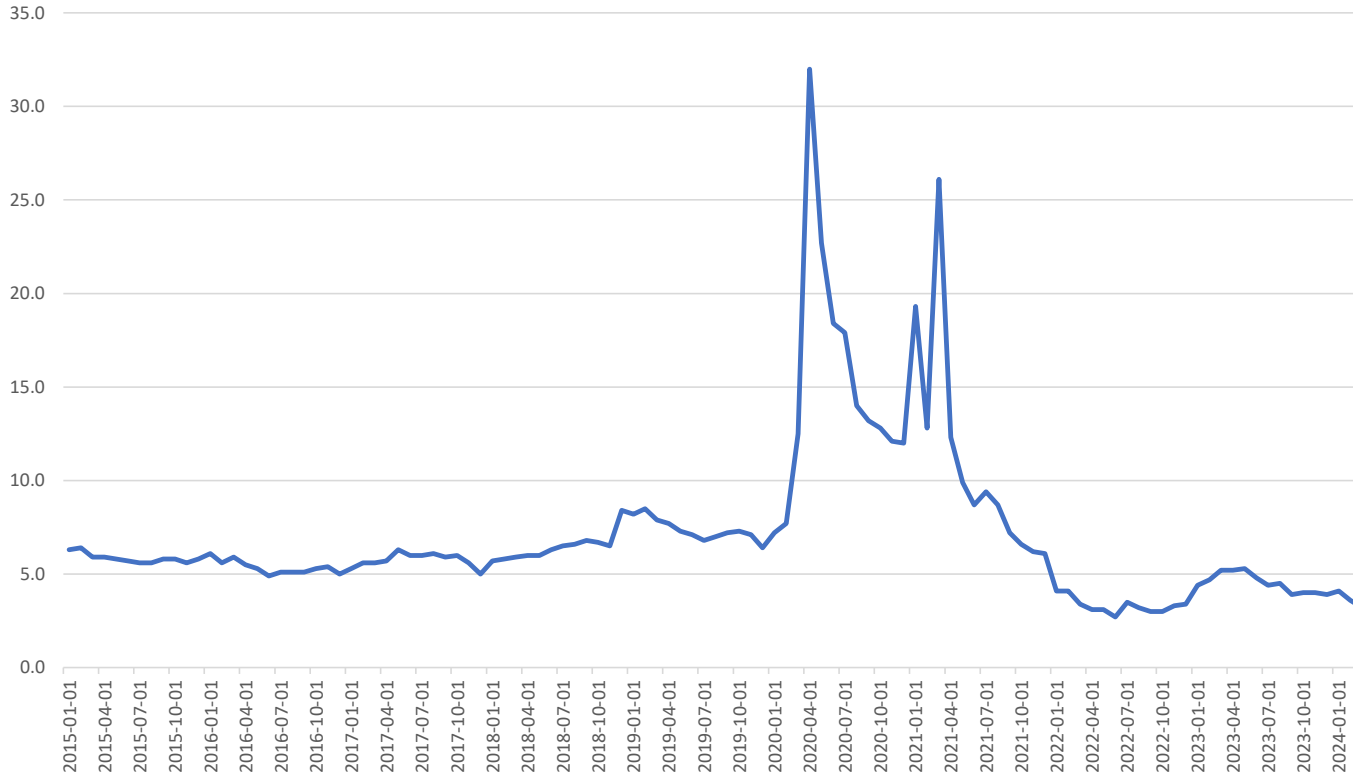
... And The Collapse Of Natural Gas Prices that Underlie 40% Of Utility-Scale Electricity Generation Has Not Tempered Retail Electricity Price Inflation



Source: Energy Information Administration

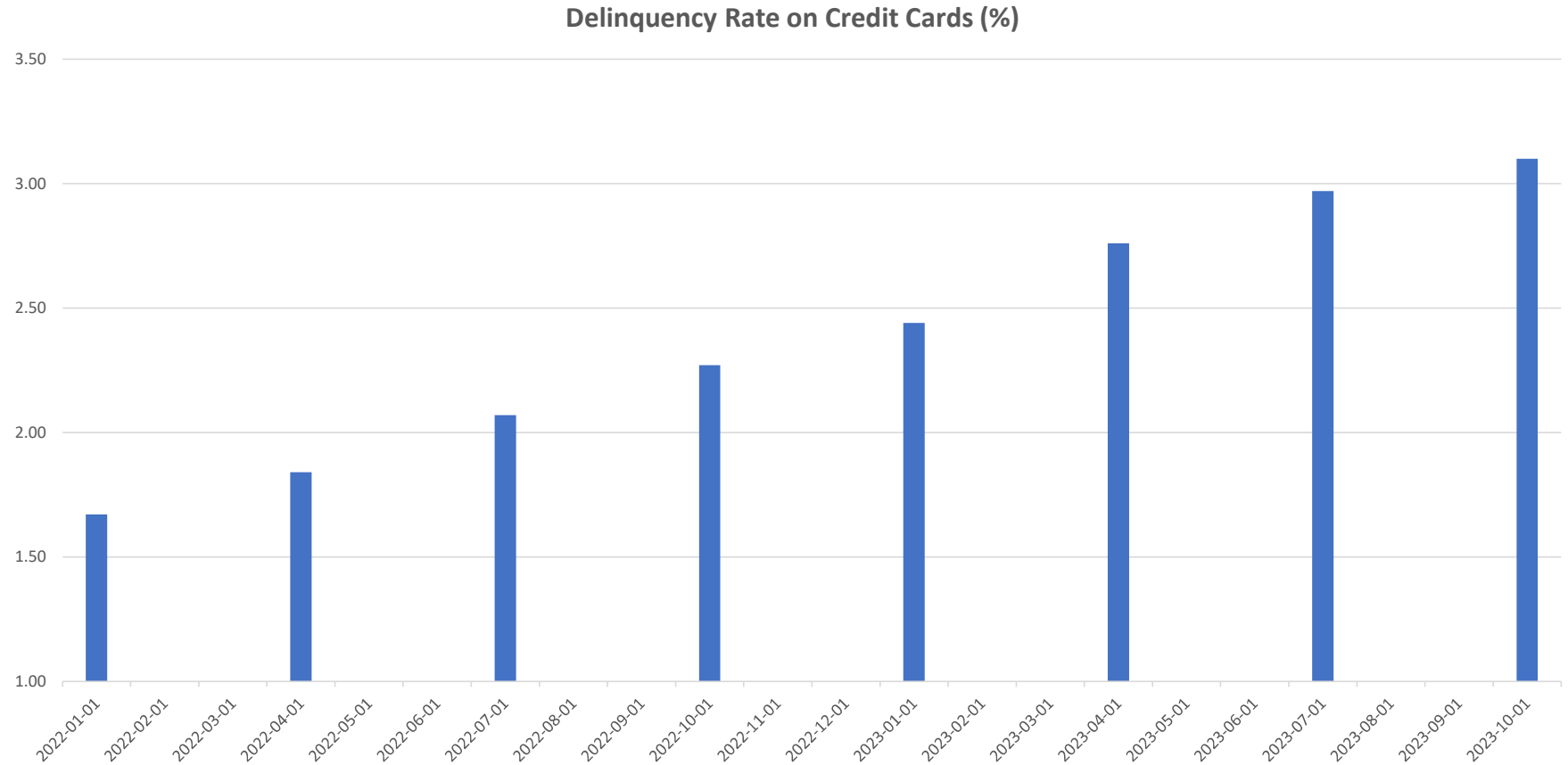
The Amalgam Of Retail Electricity Price Inflation And The Weakening Personal Saving Rate Underscore Affordability Issues, Constraints On Ratemaking, And The Exposures Utility Financial Metrics Face

Personal Saving Rate



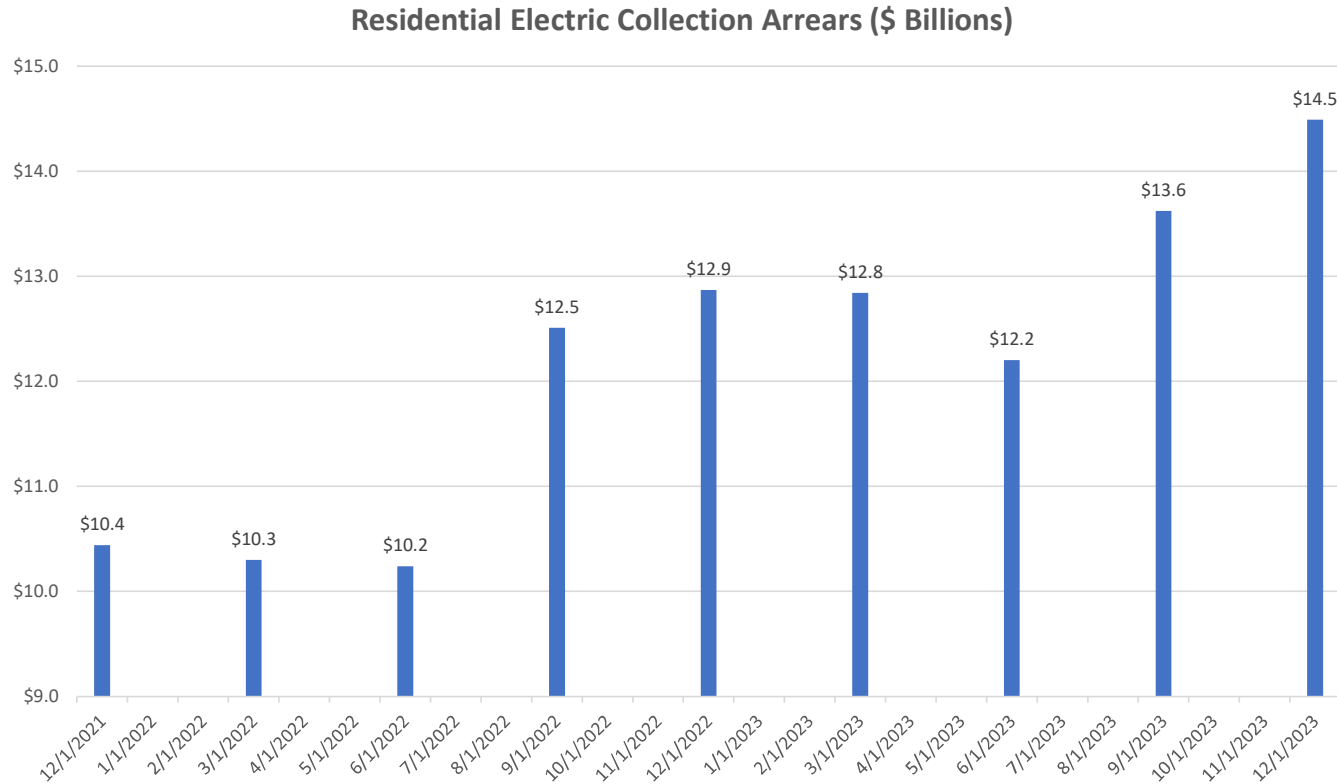
Source: Federal Reserve

... As Does Rising Credit Card Delinquencies



Source: Federal Reserve

... Which Correlates With Increasing Residential Electric Utility Collection Arrears



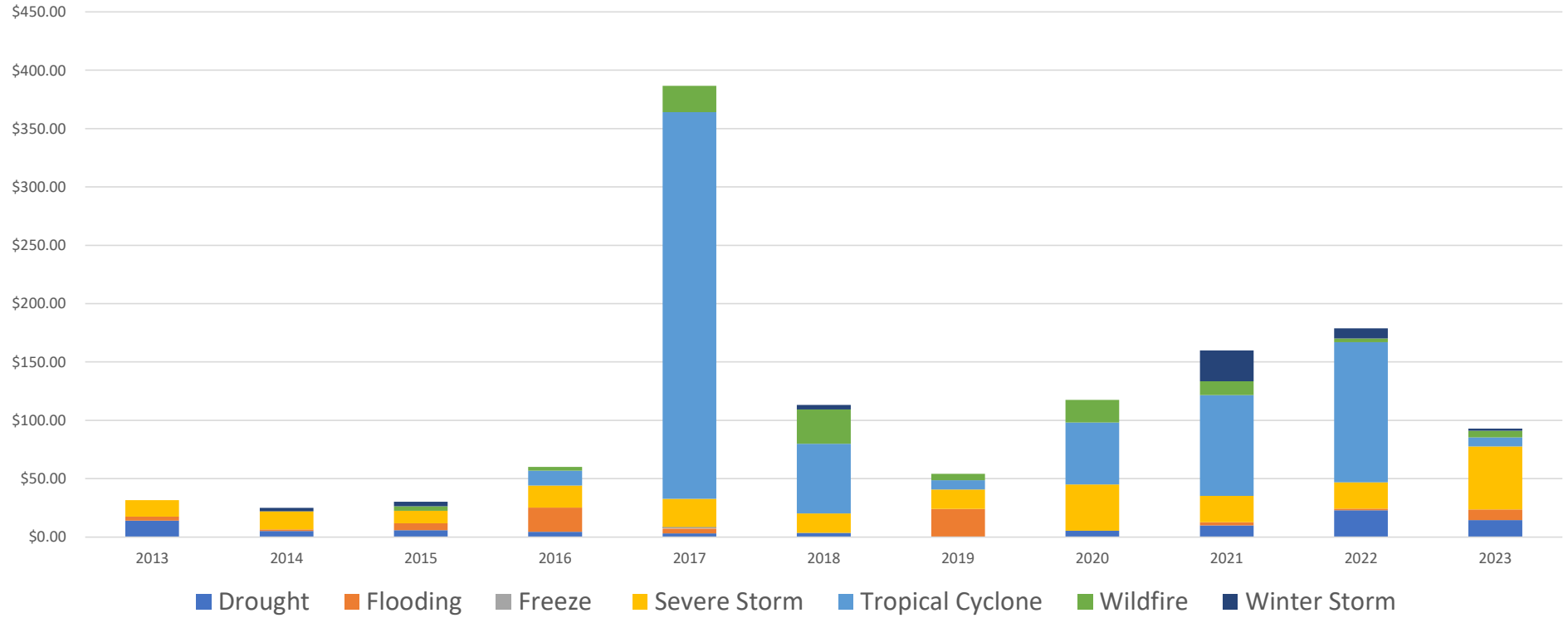
Note: \$14.5 billion of arrears exceeds 7% of the U.S. residential utility revenues reported by the Energy Information Administration

Source: National Energy Assistance Directors Association

Preparing For And Responding To Extreme Weather Events And Their Related Liability Claims Weighs On Electric Utilities' Financial Performance

More Frequent And Severe Storm Events Create Financial Exposures For Electric Utilities

United States Billion Dollar Disaster Events (CPI-Adjusted)
(\$ Billions)



Source: NOAA

Wildfires



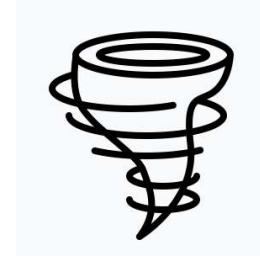
- Los Angeles Department of Water and Power (CA)
- Trinity Public Utilities District (CA)
- Pacific Gas & Electric (CA)
- PacifiCorp (OR)
- Hawaiian Electric (HI)
- Xcel Energy (TX, Smokehouse Creek Fire)
- Bonneville Power, (OR, Holiday Farm Fire)

Polar Vortices



- Winter Storm Uri (ERCOT)
- Winter Storm Elliott (TVA)

Extreme Storms / Hurricanes



- Hurricane Idalia (FL)
- Hurricane Hilary (CA)
- Super Storm Sandy (NY)
- Hurricane Ida (LA)

Diminished Access To Liability Insurance Can Pressure Liquidity and Balance Sheets



DEEP DIVE

As wildfires losses mount, will commercial insurers decline to cover utilities?

Source: *Utility Dive* Jan 31, 2024

Cyber Risks

Evolving Cyber Threats



Financially
Motivated
Cyberattacks



Sovereign-
Backed
Actors



Third-Party
Vendor
Risks

NIST Cybersecurity Framework 2.0: RESOURCE & OVERVIEW GUIDE



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