

INTER-OFFICE MEMO

TO: David Sorrell, Water and Light Director

FROM: William Addo, Senior Accountant

DATE: 11/1/2023

SUBJECT: Preliminary Water and Electric Financial Statements Ending September 30, 2023

Water and Electric Utility combined operations reflect an operating income of \$9,193,803 for the twelve months ending September 30, 2023; compared to an operating loss of \$2,677,116 for the same period last year.

Net income from Water and Electric Utility combined operations is \$10,611,190 for the twelve months ending September 30, 2023; compared to a net loss of \$959,972 for the same period last year.

WATER UTILITY

The Water Utility operations generated an operating income of \$3,756,534 for the twelve months ending September 30, 2023; compared to an operating income of \$4,596,913 for the same period last year.

Net income from the Water Utility operations is \$3,511,155 for the twelve months ending September 30, 2023; compared to a net income of \$5,535,395 for the same period last year.

Operating revenues for the Water Utility are up \$2,046,243 and operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are also up \$2,872,381; compared to the same period last year.

WATER UTILITY CUSTOMER DISTRIBUTION

The table below shows water customer distribution for the month of September, 2023; compared to the same period last year.

Customer Distribution	September 2023	September 2022
Residential	46,497	46,222
Commercial	4,670	4,641
Large Commercial	29	27
Total	51,196	50,890

ELECTRIC UTILITY

The Electric Utility operations generated an operating income of \$5,437,269 for the twelve months ending September 30, 2023; compared to an operating loss of \$7,274,029 for the same period last year.

The Electric Utility operations generated a net income of \$7,100,035 for the twelve months ending September 30, 2023; compared to a net loss of \$6,495,367 for the same period last year.

Operating revenues for the Electric Utility are down \$2,868,755 and operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are down \$14,923,219; compared to the same period last year. Fuel and Purchased power costs have decreased \$14,560,140; compared to the same period last year.

ELECTRIC UTILITY CUSTOMER DISTRIBUTION

The table below shows electric customer distribution for the month of September, 2023; compared to the same period last year.

Customer Distribution	September 2023	September 2022
Residential	45,300	45,182
Small General Service	6,483	6,018
Large General Service	1,043	1,021
Industrial	30	30
Total	52,856	52,251

FINANCIAL INDICATORS

Projected Current Ratio: This ratio measures an entity's ability to pay its short-term obligations. A current ratio >1 is the ideal standard, whereas a current ratio of <1 indicates an entity's inability to pay its short-term obligations. At September 30, 2023, the Water and Electric Funds maintained a current ratio of 5.14.

Financial Indicator	Water Utility	Electric Utility	Water and Electric Combined
Current Ratio	6.01	4.99	5.14

*Current Ratio = Current Assets / Current Liabilities

Projected Days Cash on Hand: This ratio estimates the number of days an entity is able pay its daily operation costs before running out of cash--assuming there were no additional cash inflows. At September 30, 2023, the Water and Electric funds maintained 112 days cash on hand (including PILOT expenses), and 125 days cash on hand (without PILOT expenses).

Financial Indicator	Water Utility	Electric Utility	Water and Electric Combined
Days Cash on Hand (Including PILOT Expense)	109 Days	112 Days	112 Days
Days Cash on Hand (Without PILOT Expense)	136 Days	124 Days	125 Days

*Days Cash on Hand = Unrestricted Cash and Cash Equivalent/ (Operating Expenses / 365)

Projected Debt Coverage Ratio: The debt coverage ratio is a measure of an entity's ability to meet its annual interest and principal debt payments. A debt coverage ratio of 1.1 is a sign of vulnerability. A ratio greater than 1 means an entity has sufficient income to pay its current debt obligations, whereas a ratio of less than 1 means an entity's inability to pay its current debt obligations. At September 30, 2023, the Water and Electric Funds maintained the following ratios:

Financial Indicator	Water Utility	Electric Utility	Water and Electric Combined
Debt Coverage Ratio (Including PILOT Expense)	1.39	1.83	1.67
Debt Coverage Ratio (Without PILOT Expense)	2.15	2.94	2.65

* Debt coverage ratio= Net revenues (operating revenues plus interest less operating expenses) divided by total debt service (annual interest plus annual principal payments on long-term debt).