



Key Financial Indicators for Utilities

Takeaways for Attendees

Session Takeaways

- Moody's Metrics are important to understand & model for your utility regardless if you are rated
 - ✓ Provide objective data source to help guide decision making
 - # days cash on hand
 - Debt coverage
- Importance of conducting a long-range cash flow analysis
- Other key metrics to understand
 - ✓ Rate of return

What is Return on Rate Base/Return (ROR)?

- Intended to pay the annual interest cost of debt capital and provide a fair rate of return for the total equity capital employed to finance facilities used to provide utility service
- Measure of utility's ability to reinvest in itself within the existing revenue stream

WI Public Service Commission is source for water and electric utilities

- PSC establishes a benchmark ROR and updates it throughout the year
- Guideline is current market cost of 30-year AA municipal bonds plus 2.00%
- Current benchmark is 6.40%

ROR: Where Do I Find It?

Year Ended: December 31, 2024

Page 1 of Schedule F-23

Return on Rate Base Computation

- The data used in calculating rate base are averages.
- Calculate those averages by summing the first-of-year and the end-of-year figures for each account and then dividing the sum by two.
- For municipal utilities, do not include contributed plant in service, property held for future use, or construction work in progress with utility plant in service. These are not rate base components.
- For private utilities, do not include property held for future use, or construction work in progress with utility plant in service. These are not rate base components.

Average Rate Base (a)	Water (b)	Electric (c)	Gas (d)	Sewer (e)	Total (f)	
Add Average						1
Utility Plant in Service (101.1)	13,343,089				13,343,089	2
Materials and Supplies	0				0	3
Less Average						4
Reserve for Depreciation (111.1)	2,420,835				2,420,835	5
Customer Advances for Construction					0	6
Regulatory Liability	0				0	7
Average Net Rate Base	10,922,254	0	0	0	10,922,254	8
Net Operating Income	823,246				823,246	9
Net Operating Income as a percent of Average Net Rate Base	7.54%	N/A	N/A	N/A	7.54%	10

ROR: Options for Water Rate Increase

- Current Utility ROR:
3.50%

- Benchmark ROR:
6.40%

Full Rate Case Option

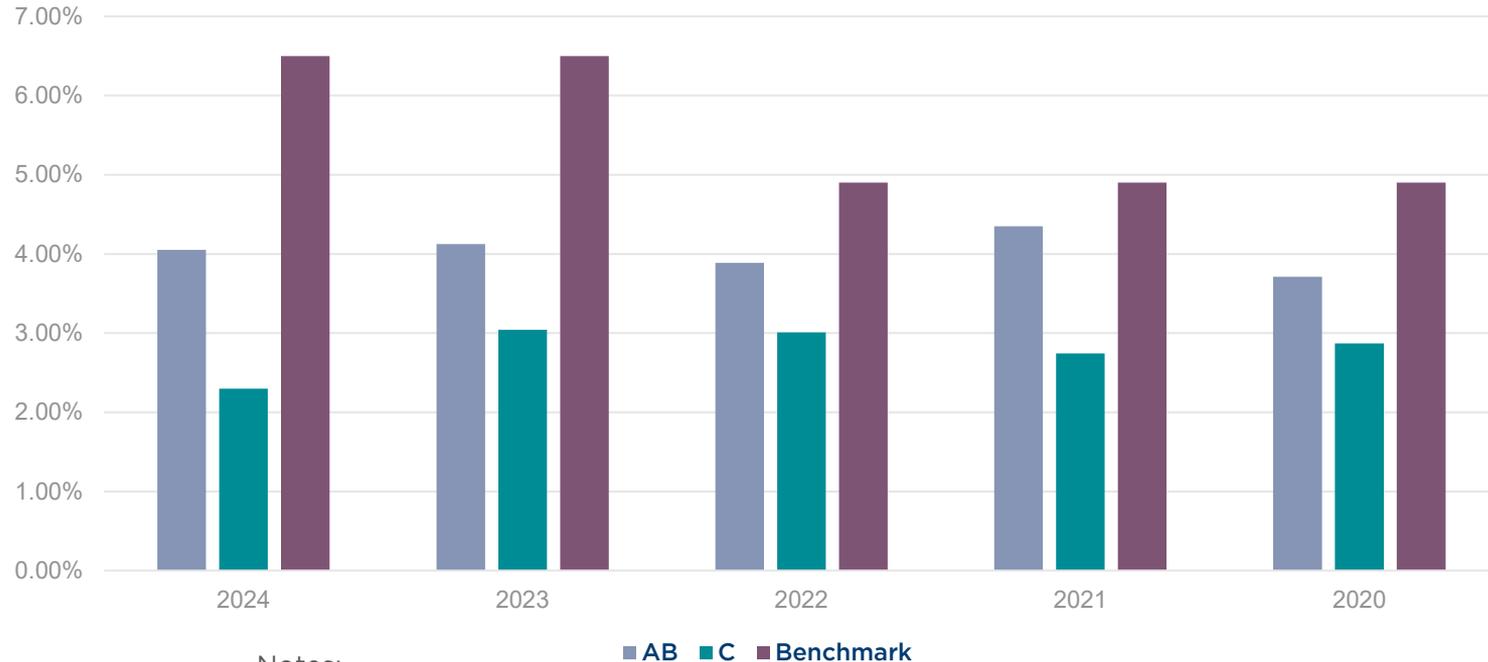
A	Sample Utility Rate Base	\$11,886,508
B	Benchmark ROR	6.40%
C	Sample Earned ROR	3.50%
D=B-C	Allowable Additional Return	2.90%
E=A*D	Allowable Additional Dollars	\$344,709

Simplified Rate (SRC) Increase Option

F	Sample Water Revenues	\$2,324,507
G	SRC Percent Increase	3.00%
H=F*G	Allowable Additional Dollars	\$69,735

5-Year State-Wide ROR Comparison Analysis

Average WI State-wide ROR Compared to PSC Benchmark



Notes:

1. Water utility data take from WI PSC website. Municipal owned utilities showing average rate of return for Class AB and C utilities.

Download the Presentation





Important Disclosures

Ehlers is the joint marketing name of the following affiliated businesses (collectively, the “Affiliates”): Ehlers & Associates, Inc. (“EA”), a municipal advisor registered with the Municipal Securities Rulemaking Board (“MSRB”) and the Securities and Exchange Commission (“SEC”); Ehlers Investment Partners, LLC (“EIP”), an SEC registered investment adviser; and Bond Trust Services Corporation (“BTS”), a holder of a limited banking charter issued by the State of Minnesota.

Where an activity requires registration as a municipal advisor pursuant to Section 15B of the Exchange Act of 1934 (Financial Management Planning and Debt Issuance & Management), such activity is or will be performed by EA; where an activity requires registration as an investment adviser pursuant to the Investment Advisers Act of 1940 (Investments and Treasury Management), such activity is or will be performed by EIP; and where an activity requires licensing as a bank pursuant to applicable state law (paying agent services shown under Debt Issuance & Management), such activity is or will be performed by BTS. Activities not requiring registration may be performed by any Affiliate.

This communication does not constitute an offer or solicitation for the purchase or sale of any investment (including without limitation, any municipal financial product, municipal security, or other security) or agreement with respect to any investment strategy or program. This communication is offered without charge to clients, friends, and prospective clients of the Affiliates as a source of general information about the services Ehlers provides. This communication is neither advice nor a recommendation by any Affiliate to any person with respect to any municipal financial product, municipal security, or other security, as such terms are defined pursuant to Section 15B of the Exchange Act of 1934 and rules of the MSRB. This communication does not constitute investment advice by any Affiliate that purports to meet the objectives or needs of any person pursuant to the Investment Advisers Act of 1940 or applicable state law.