

METROPOLITAN UTILITIES DISTRICT

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Metropolitan Utilities District sets 2023 budget, raises rates to fund ongoing natural gas and water infrastructure upgrades

December 7, 2022; Omaha, Neb.— The Metropolitan Utilities District (M.U.D.) board today approved a 2023 budget, which continues to fund priorities to replace and update critical natural gas and water infrastructure and facilities. Also approved was an increase to gas rate commodity charges and a 50-cent increase in the monthly Gas Infrastructure Rate fee, which will result in a 3.3% overall annual increase to the average residential gas bill as compared with 2022 budget assumptions. The annual gas bill for the average residential customer is projected to increase by \$26.13 per year based on usage of 761 therms. The majority of this projected increase is due to “pass through” components of the bill, including the increased cost to purchase natural gas.

In addition, an approved increase to water rate commodity charges and a 50-cent increase to the monthly Water Infrastructure Rate fee will result in a 4.7% overall annual increase to the average residential water bill as compared with 2022 budget assumptions. The annual water bill for the average residential customer is projected to increase by \$18.57 per year based on usage of 102.4 CCF (76,600 gallons).

The gas and water rate increases take effect January 2, 2023.

The District estimates 2023 revenues of \$293.1 million for the Gas Department and \$156.4 million for the Water Department. The revenues, combined with modest spend-down of cash reserves by the Water Department, will be used to fund the District’s operating expenditures, which have been impacted by the current inflationary environment, natural gas purchases and debt service costs. Funding for capital improvements and critical infrastructure replacement will be supplemented by the planned issuance of revenue bonds for the Gas Department in 2023.

M.U.D.’s leadership team actively manages the budget to ensure the District’s operating needs are met while considering the financial impact on customers.

“As a publicly-owned utility providing life essential services to those we serve, we make every effort to find a balance between rate design, operational efficiencies and responsibly investing in infrastructure upgrades,” said M.U.D. President Mark Doyle. “Like most utilities across the country, we are faced with the challenge of replacing aging water and natural gas infrastructure which is critically important to ensuring the sustainability of our systems and our communities for generations to come.”

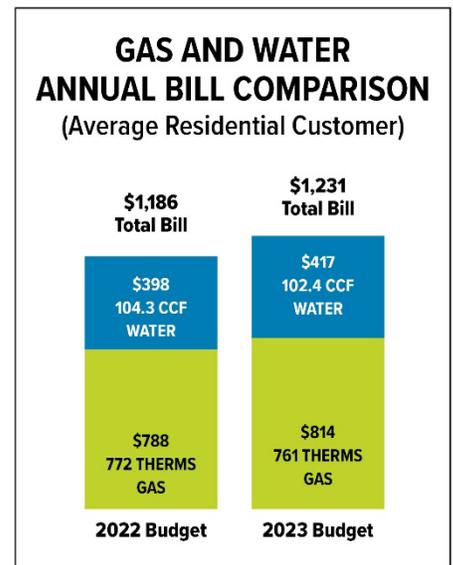
Replacing aging infrastructure

The budget funds will allow the District to continue updating aging natural gas and water infrastructure using a rigorous asset management plan. The plan is critical to ensuring the District’s customer-owners continue to receive safe, reliable natural gas and water services and meet the needs of the future.

Since the inception of its long-term infrastructure replacement program in 2008, the District has replaced more than 400 miles of gas mains and 120 miles of water mains.

In the last two years alone, the District replaced approximately 85 miles of gas mains and remains on schedule to replace all cast iron mains by the end of 2027. In addition to improving system reliability, this effort has reduced methane emissions associated with gas leaks. An estimated 420,000 equivalent metric tons of CO2 emissions were removed from 2008 to 2021, through the natural gas infrastructure replacement program.

One of the challenges of aging water infrastructure is the increasing frequency and cost of the more than 500 water main breaks that impact the community each year. To reverse these trends, the District is using a variety of strategies, including construction of water mains that are more resilient to corrosion. The utility has also taken a proactive approach to the problem by implementing technologies to detect water leaks, assess pipe condition and analyze data to target critical water mains for rehabilitation or replacement.



Updating facilities for increased reliability

Work is underway on a \$78 million capital improvement plan to expand the utility's liquefied natural gas plant, an on-site storage facility. Financed with revenue bonds, the project will substantially improve the reliability of the facility for the next 40 years and positively impact customer-owners for many years to come.

A Water Master Plan has recently been updated to serve as our roadmap for system improvements, including ongoing projects for the District's three water treatment facilities. These large, long-term capital improvement plans are largely financed with bond issuances to spread costs over time, as the associated benefits will be realized over many years and many generations of our customer-owners.

Additionally, a new water pumping station is in its final stages of construction. Located near 153rd and Dodge, the station will be in service to support 2023's summer water usage, and beyond. This investment allows for greater reliability in meeting peak water use hours in Zone 3, which serves the rapidly developing area of northwest Omaha.

Utility assistance, resources and affordability

"We continue to be responsive to the financial hardships faced by some of our customers," said Chief Financial Officer Joseph Schaffart. "We are committed to working with those who are struggling and guide them to a variety of resources."

Customers are encouraged to reach out to Customer Service at 402.554.6666 to discuss their account. Other tips to help manage bills include:

- Enroll in budget billing – We offer a budget payment plan that spreads your average utility usage across 12 monthly installments to avoid bill fluctuations. You may join the plan any time of the year.
- Apply for utility assistance programs – Assistance is available to income-qualifying customers. You can apply for support through state-based agencies and M.U.D.'s Home Fund. Visit mudomaha.com/homefund for more information.
- Reduce energy use and participate in gas appliance rebates – Check out the website for tips to reduce usage in your home and to learn about rebate offers for natural gas dryers, ranges and other energy-efficient gas appliances. More details are available at mudomaha.com/rebates.

As compared to 40 other U.S. utilities that participated in the 2022 Memphis Light, Gas and Water Survey, the District ranked ninth lowest in cost for residential gas bills and 16th lowest for residential water bills. M.U.D.'s affordability ranking in 2023 should be minimally impacted, as infrastructure replacement funding needs are being addressed by other utilities throughout the nation.

Credit ratings remain strong

In May, Standard and Poor's Global Ratings completed a credit surveillance analysis of the Gas Department and affirmed the "AA+ Stable" rating. The "AA+" credit rating is S&P's second highest rating, behind only "AAA."

In September, Moody's Investors Services completed a credit surveillance analysis of M.U.D.'s Water Department and affirmed the "Aa2" credit rating. This is Moody's third highest credit rating, behind "Aaa" and "Aa1."

"Strong credit ratings are important in that they enable us to issue bonds at very favorable rates, resulting in savings to our customers," said Schaffart. "These positive reports also serve as affirmation of the financial management and rate-setting practices we have in place."

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About Metropolitan Utilities District: The mission of the Metropolitan Utilities District, headquartered in Omaha, Nebraska, is to provide safe, reliable and cost-effective natural gas and water services to our community. Overall, the District serves more than 600,000 people in the metro area. The District is the fifth largest public natural gas utility in the United States, serving more than 237,000 customer-owners in Omaha, Bennington, Fort Calhoun, Springfield, Yutan and Bellevue. The District also provides safe, high quality drinking water to more than 222,000 customer-owners in Omaha, Bellevue, Bennington, Carter Lake, La Vista, Ralston, Waterloo and the Papio-Missouri Natural Resources District (which supplies water to Fort Calhoun). For more information, visit mudomaha.com.