



TO:	Board of Directors	DATE:	February 9, 2023
FROM:	Glen McAllister, CFO/Treasurer	SUBJECT:	Updated 2024 Operating and Capital Budget

Background:

The annual budget is InnPower's action plan for the coming fiscal year, based upon a series of company objectives and is used for planning, control and performance evaluation. It is used to communicate InnPower's plans to interested parties, stakeholders and coordinate activities between departments and motivate teams to perform within identified restraints.

The budget ensures achievement of plans through a planning control framework, is a tool for decision making and is used for benchmarking against which actual results can be measured.

The Ontario Energy Board, auditors, shareholders, and Board are all interested in the actual performance compared to budget.

Summary:

On September 27, 2022, Staff presented the original 2024 Operating & Capital Budget for approval. After conducting a detailed review of the Five-Year Strategic Plan and Distribution System Plan, Staff found it appropriate to revise this budget. As such, the Executive and Management Team are presenting an updated final draft 2024 Operating and Capital budget. The updated budget has a 10.6% increase from the 2023 budget, shown below in the Operating Budget Summary chart, which is a 9% increase in operating expenses from the 2024 original budget, shown below in the Total Operating Expenses by Department chart.

This Budget will be submitted to the Ontario Energy Board as part of the Cost-of-Service filing for 2024 rates. Once a decision is received on this application in Q4 of 2023, the 2024 Budget will then be finalized.

The Executive and Management team has spent considerable time and effort to ensure that this budget aligns with the Strategic and Distribution System plans and fully prepares InnPower for the future.

The CEO and the CFO/Treasurer, in consultation with the Executive and Management Team present the following updated 2024 Operating budget.

Operating Budget Summary

Operations Maintenance and Administration – \$8,465,148

Operating Budget Summary

	2022	2023	2024	Year to Year % Change
	Forecast	Budget	Outlook	
Distribution Revenue	12,832,465	13,607,373	14,669,912	7.8 %
Other Revenue	2,343,623	3,316,172	3,771,398	13.7 %
Total Revenue	15,176,089	16,923,545	18,441,309	9.0 %
Operating Expenses	6,640,470	7,656,701	8,465,148	10.6 %
EBITDA	8,535,619	9,266,843	9,976,161	7.7 %
Depreciation and Amortization	3,597,480	4,464,726	5,076,455	13.7 %
Finance Cost	1,252,499	1,220,316	1,445,325	18.4 %
Income before Taxes & Regulatory	3,685,640	3,581,802	3,454,381	(3.6)%
Payment in Lieu of Taxes	1,188,434	925,000	822,629	(11.1)%
Net Movement in Regulatory	(826,039)	(65,100)	(65,100)	(0.0)%
Comprehensive Income	3,323,245	2,721,902	2,696,852	(0.9)%

Operations Maintenance and Administration – 2024 Original to 2024 Updated comparison

Total Operating Expenses by Department

	2023	2024	2024	Year to Year % Change
	Budget	Original Outlook	Updated Outlook	
Distribution Operations	1,741,822	1,715,690	1,974,901	15.1 %
Distribution Maintenance	880,390	906,669	1,115,647	23.0 %
Customer Relations	1,265,748	1,308,473	1,308,455	(0.0)%
Internal Support Services	3,768,741	3,833,245	4,066,145	6.1 %
Operating Expenses	7,656,701	7,764,078	8,465,148	9.0 %

Customer Growth – 4.8%

	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Budget 2023	Outlook 2024	# Change
Residential	16,954	17,409	18,037	18,415	19,248	20,098	21,135	1,037
GS<50	1,109	1,140	1,165	1,210	1,299	1,321	1,332	11
GS>50	93	84	79	77	74	83	86	3
Sentinel Lights (Non-Retail)	162	198	193	189	191	191	191	0
Street Lights (Non-Retail)	3,195	3,320	3,588	3,852	4,039	4,201	4,398	197
USL	75	74	71	71	78	78	78	0
Total	21,588	22,225	23,133	23,814	24,929	25,972	27,220	1,248

% Change		3.0 %	4.1 %	2.9 %	4.7 %	4.2 %	4.8 %	Ave 3.9 %
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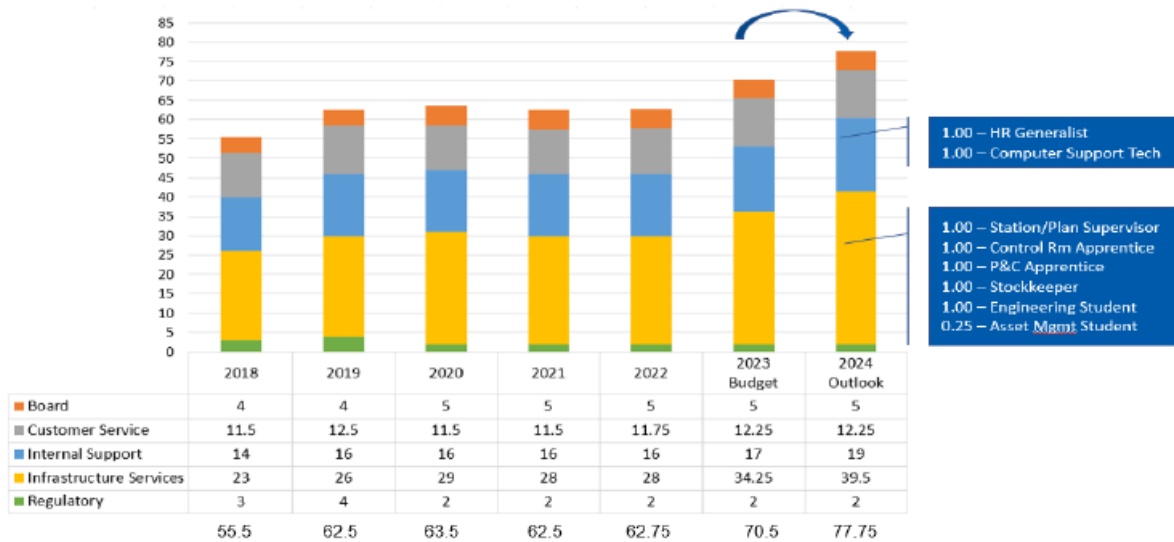
Controllable Cost per Customer - \$384

	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Budget 2023	Outlook 2024
Controllable Costs per Customer	335	312	333	340	329	364	384

Total Capital Budget

2024 Capital Outlook by Investment Category (000's)			
Category	Gross Budget	Contributions from Others	Net Budget
General Plant	1,022	0	1,022
System Access	20,823	(19,237)	1,587
System Expansion	2,587	(1,924)	663
System Renewal	1,429	0	1,429
System Services	7,519	(3,100)	4,419
All	33,380	(24,260)	9,120
TS Expenditures in WIP (spend)	6,424	0	6,424
All	39,804	(24,260)	15,544

Full Time Equivalent – 7.25



Recommendation:

It is recommended that the updated 2024 Operating Budget, totaling \$8,465,148 be conditionally approved.

Further, it is recommended that the updated 2024 Capital Budget, totaling \$15,543,739 be conditionally approved.

Presented By:

Glen McAllister, Chief Financial Officer