

METROPOLITAN UTILITIES DISTRICT

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Metropolitan Utilities District sets 2022 budget

December 1, 2021; Omaha, Neb.— The Metropolitan Utilities District (M.U.D.) board today approved a 2022 budget, which continues to fund priorities to replace critical water and natural gas infrastructure, update facilities and invest in technology to improve operations.

Also approved was a water rate increase to fully fund the budget requirements. An increase to water rate commodity charges will result in a 4% annual increase to the average residential water bill as compared with 2021 budget assumptions. There is no increase to fixed charges. The annual water bill for the average residential customer is projected to increase by \$15 per year based on usage of 104 CCF (77,792 gallons). The water rate increase takes effect January 2, 2022.

There is no change in natural gas rates. However, the annual gas bill for the average residential customer is projected to increase by \$191 per year based on usage of 772 therms. This 32% projected increase is due to “pass through” components of the bill, including the increased cost to purchase gas.

The District estimates 2022 revenues of \$278.4 million for the Gas Department and \$148.0 million for the Water Department. The revenues, combined with modest spend-down of cash reserves, will be used to fund the District’s operating expenditures, gas purchases and debt service costs. Funding for capital improvements and critical infrastructure replacement will be supplemented by the planned issuance of revenue bonds.

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

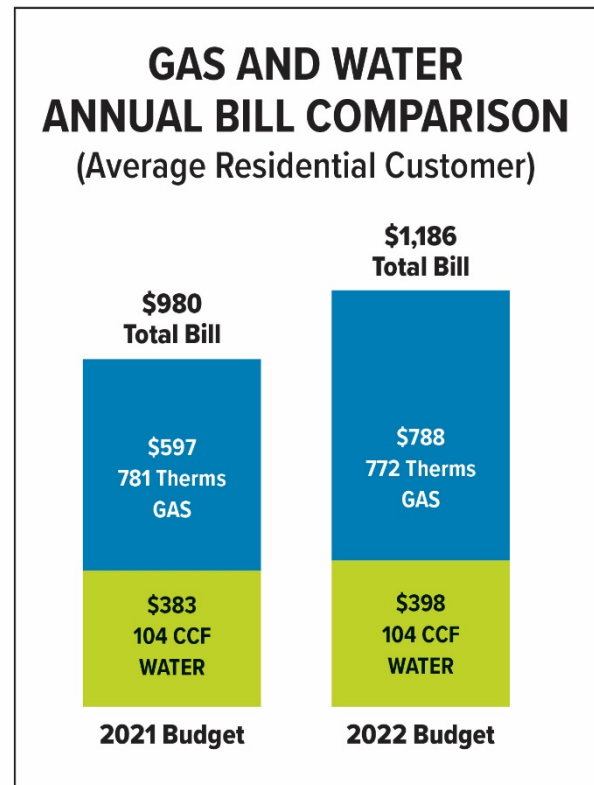
“We strive to find a balance between rate design and operational efficiencies while ensuring we provide safe, reliable and cost-effective services to our customers,” said M.U.D. President Mark Doyle. “It also is critical that the District continues to responsibly invest in infrastructure replacement to ensure the reliability of our gas and water distribution systems.”

Addressing the problem of water main breaks

One of the challenges of aging 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, M.U.D. is using a variety of strategies to better manage its distribution system, including:

- Adding internal construction crews dedicated to replacing water mains.
- Partnering with several local water construction contractors on a multi-year basis.
- Installing new pipes with a more resilient exterior coating, coupled with increased wall thickness, to better protect from corrosion.
- Exploring alternate installation techniques, such as pipe-bursting, as well as alternate main material types to minimize rising replacement costs.
- Implementing new technologies to detect water leaks, assess pipe condition and analyze data to target critical water mains for replacement.

Strengthening reliability through facility upgrades



Over the last decade, there has been a tremendous effort and investment to update the District's infrastructure and facilities to meet the needs of the future. To that end, the M.U.D. board approved a \$78 million capital improvement plan to expand the utility's liquefied natural gas (LNG) plant, an on-site storage facility. Financed with revenue bonds, the project is anticipated to be complete in 2025.

"We commend the board members for their support of this initiative, which will substantially improve the reliability of the facility for the next 40 years and positively impact our customer-owners and the community for many years to come," Doyle said.

The District uses strategies including on-site natural gas storage and multiple natural gas suppliers, allowing M.U.D. to meet gas needs and minimize price spikes during the extreme cold weather such as last February's polar vortex. In addition to the LNG facility, the District owns and operates propane storage caverns. These assets provide additional gas supply during periods of peak demand, thereby lessening the need to purchase volumes on the spot market, which can be extremely costly.

M.U.D. is one of the few water utilities to operate a system with three water treatment plants, which significantly enhances reliability and gives the ability for the communities served by the District to grow. In addition to providing a reliable water supply, this system allows the District to take facilities out of service as needed for maintenance or improvements.

Since 2010, the Florence Water Treatment Plant has undergone a capital improvement project to update many systems at the 132-year-old facility. In 2022, the District will begin improvement projects at its Platte South and Platte West facilities, which have operated since 1968 and 2008 respectively.

Affordability and utility assistance

As compared to 39 other U.S. utilities that participated in the 2021 Memphis Light, Gas and Water Survey, the District ranked second lowest in cost for residential gas bills and 14th lowest for residential water bills. M.U.D.'s affordability ranking in 2022 should be minimally impacted, as infrastructure replacement funding needs are being addressed by other utilities throughout the nation.

"We continue to be responsive to the financial hardships faced by some customers over the course of the pandemic," said Chief Financial Officer Joseph Schaffart. "We work with those who are struggling and help them tap into utility assistance funds, including the District's Home Fund."

Recently, M.U.D. launched a "Bill Round Up" campaign to help fund the assistance program, which continues to see a growing need in the community. For details, visit mudomaha.com/billroundup.

Credit ratings remain strong

In August, Moody's Investors Service completed a credit surveillance analysis of M.U.D.'s Gas and Water Departments and affirmed the "Aa2" credit rating for both sides of the business. This is Moody's third highest credit rating, behind "Aaa" and "Aa1."

In November, Fitch Ratings completed a credit surveillance analysis of the Gas Department and affirmed the "AA+ Stable" rating. The "AA+" credit rating is Fitch's second highest rating, behind only "AAA."

"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. The District is the fifth largest public natural gas utility in the United States, serving more than 235,000 customer-owners in Omaha, Bennington, Fort Calhoun, Springfield, Yutan and Bellevue. The District also provides safe, high quality drinking water to more than 220,000 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). M.U.D.'s drinking water meets or exceeds all state and federal standards. For more information, visit www.mudomaha.com.