



# 2022 Rates Proposal & 2022 Preliminary COP

11/16/2021





# Preliminary 2022 Corporate Operating Plan (COP)



# Assumptions

## Revenue Adjustments

- The 2022 Preliminary COP assumes an average retail rate increase across customer classes of 2.5%
- No change in the fuel and purchase power factor and adjusting the fuel and purchase power base rate in accordance with proposed rate update

## Retail Energy Sales (MWh)

- 5.3% increase from 2021 budget
- 5.5% increase from 2021 projected

## Wholesale Revenue (Dollars)

- 4.1% decrease from 2021 budget
- 57.4% decrease from 2021 projected

## Purchase Power (Dollars)

- 2.8% increase from 2021 budget
- 41.1% decrease from 2021 projected

# Assumptions

## Expenditures

- Capital, operating and maintenance expenditures are planned to maintain system reliability and future load growth
- Total 2022 budgeted expenditures of \$1.8 billion

## Financing

- Revenue bonds with net proceeds of \$364 million are included in the 2022 budget
- The proceeds of these bonds are expected to be used for paying or reimbursing capital expenditures and refunding a portion of the outstanding commercial paper program

## Fort Calhoun Station

- Budgeted contributions to the decommissioning trust fund of \$139 million
- Budgeted decommissioning expenditures from the trust fund of \$151 million
- Budgeted Restart & Recovery amortization of \$15 million

# Assumptions

## Reserves

- No budgeted funding or withdrawal from the Rate Stabilization or Decommissioning and Benefit Reserve Accounts, planned for 2022

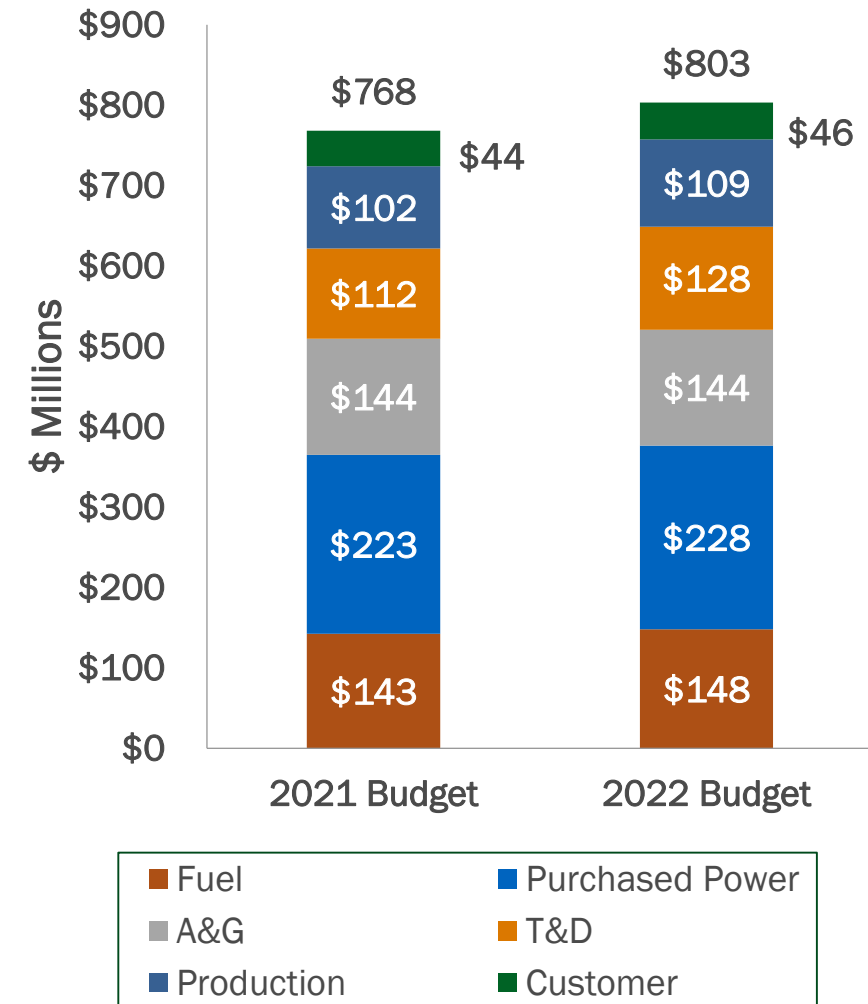
## 2022 Budgeted Major Baseload Outages

- Nebraska City Station Unit Number 1
- North Omaha Station Unit Number 4
- North Omaha Station Unit Number 5

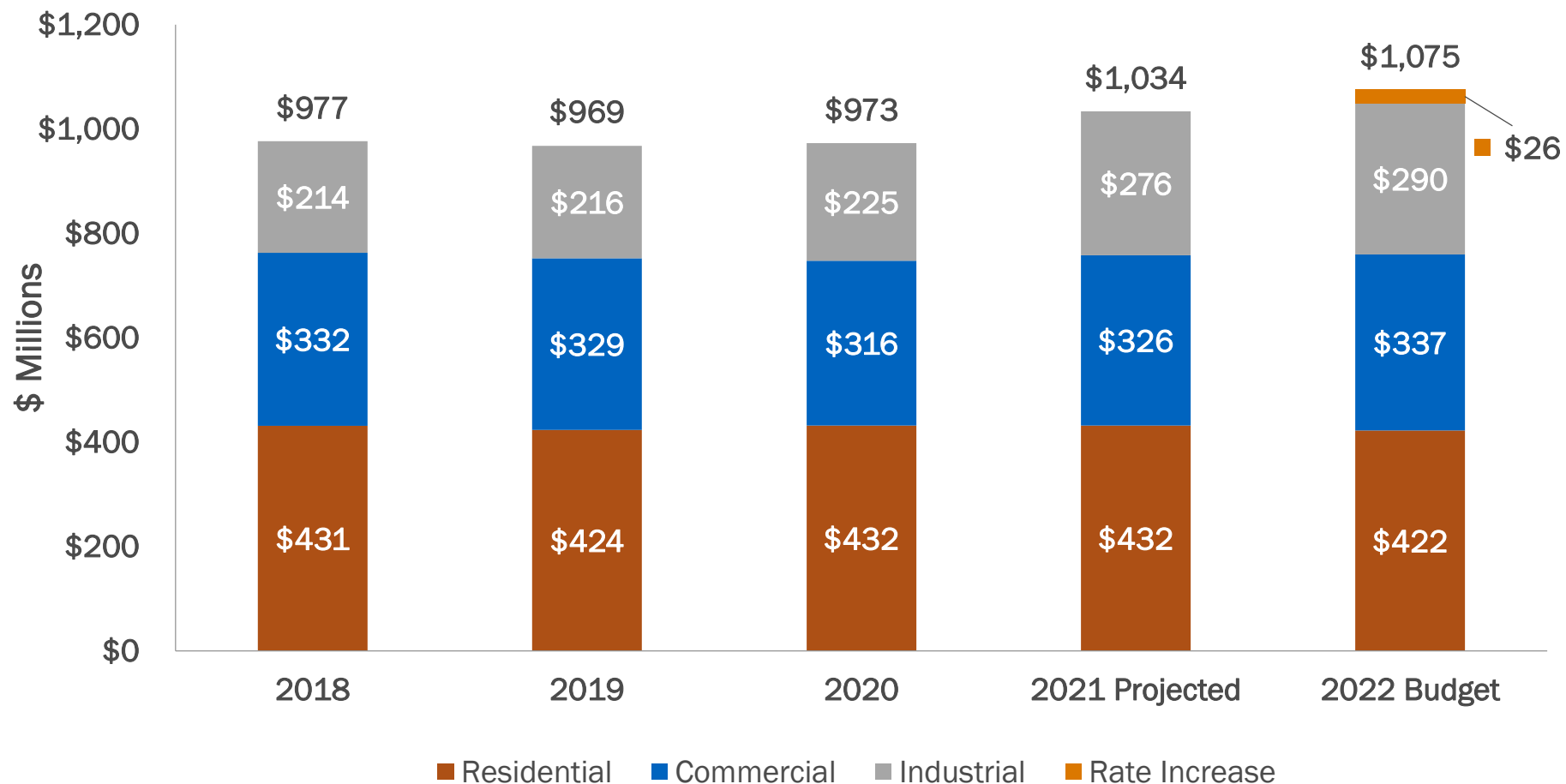
# Rate Increase Drivers

## Strategic Transformation Increases O&M:

- Technology, Property and Preparedness:
  - Technology Platform Strategic Initiative
  - Evaluating the District’s facilities for the future workforce
- Customer Service:
  - Customer Engagement for the Future Strategic Initiative
  - Pilot project regarding energy burden project solutions
- Energy Delivery:
  - Electrical Systems Evaluation & Modernization Strategic Initiative
  - Asset Health Monitoring Program to better manage and reduce asset failures
  - Hiring of new team members to keep up with large infrastructure projects
  - All-time highest vegetation management (tree trimming) budget in OPPD history
- Energy Production:
  - Planned Outages
  - Resources to support the Decarbonization Strategic Initiative

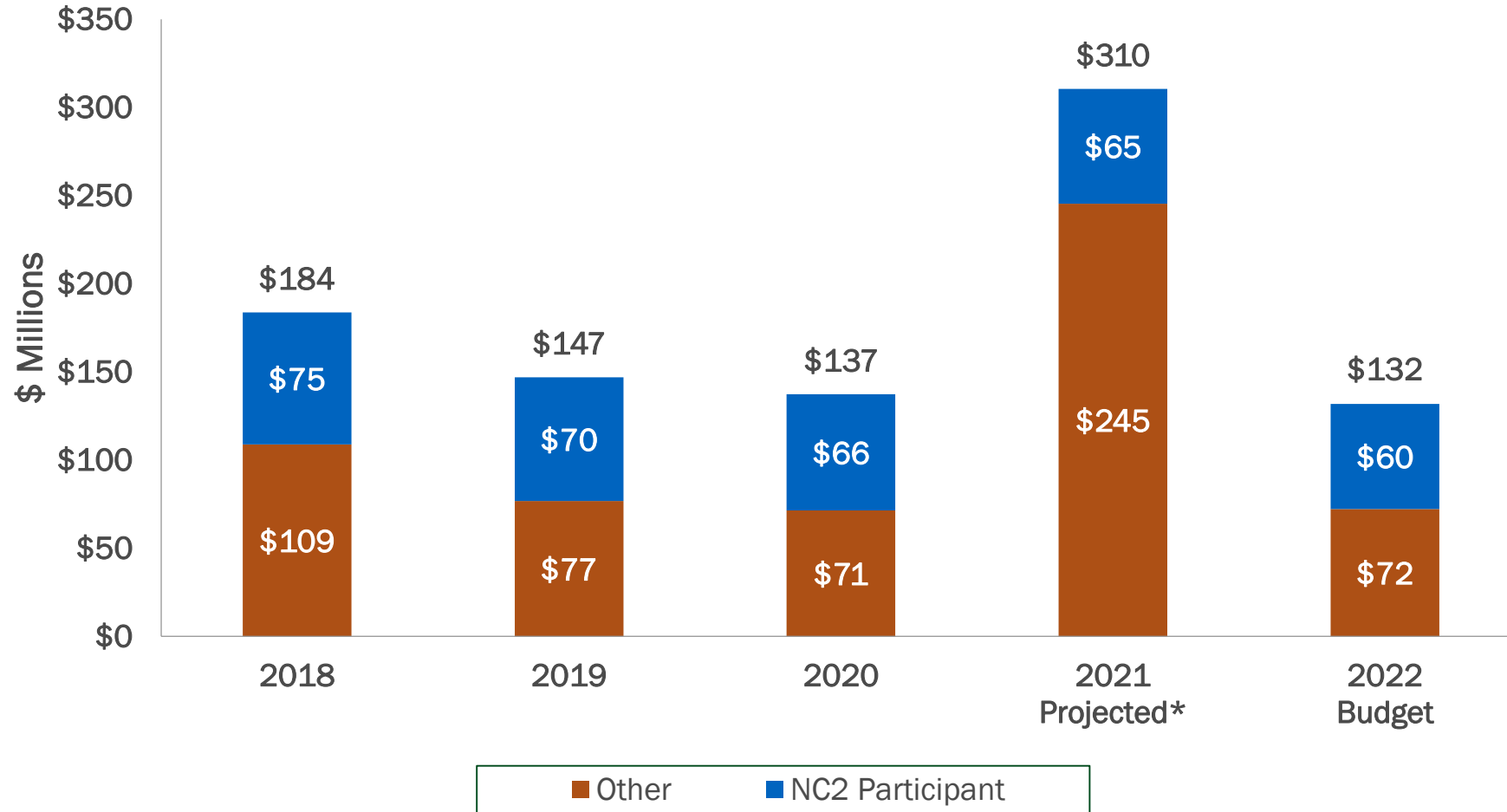


# Retail Revenue\*



\*Excludes activity for Rate Stabilization and Decommissioning and Benefit Reserve, Unbilled, and Fuel and Purchase Power Adjustment accruals/reversals

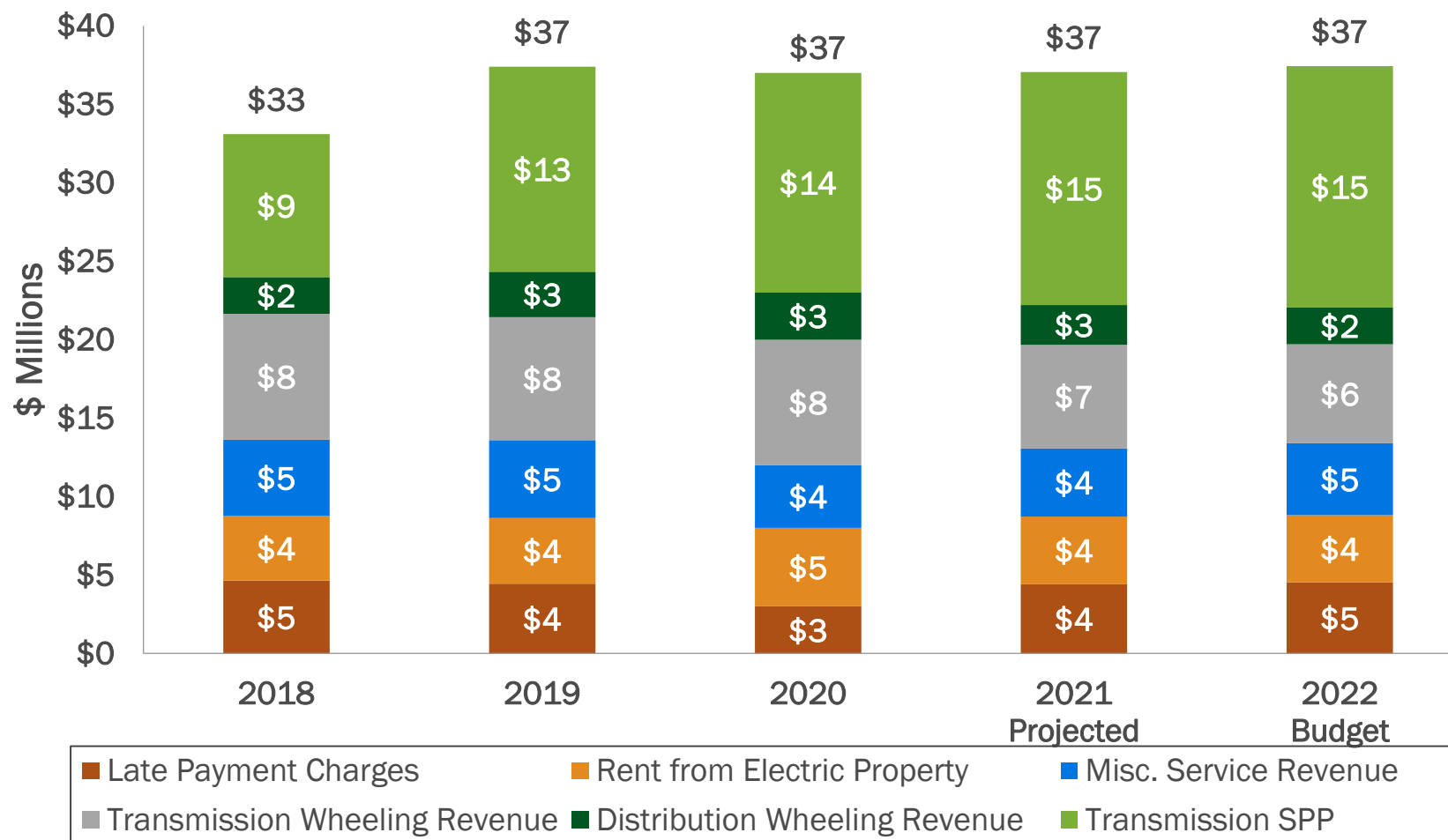
# Wholesale Revenue



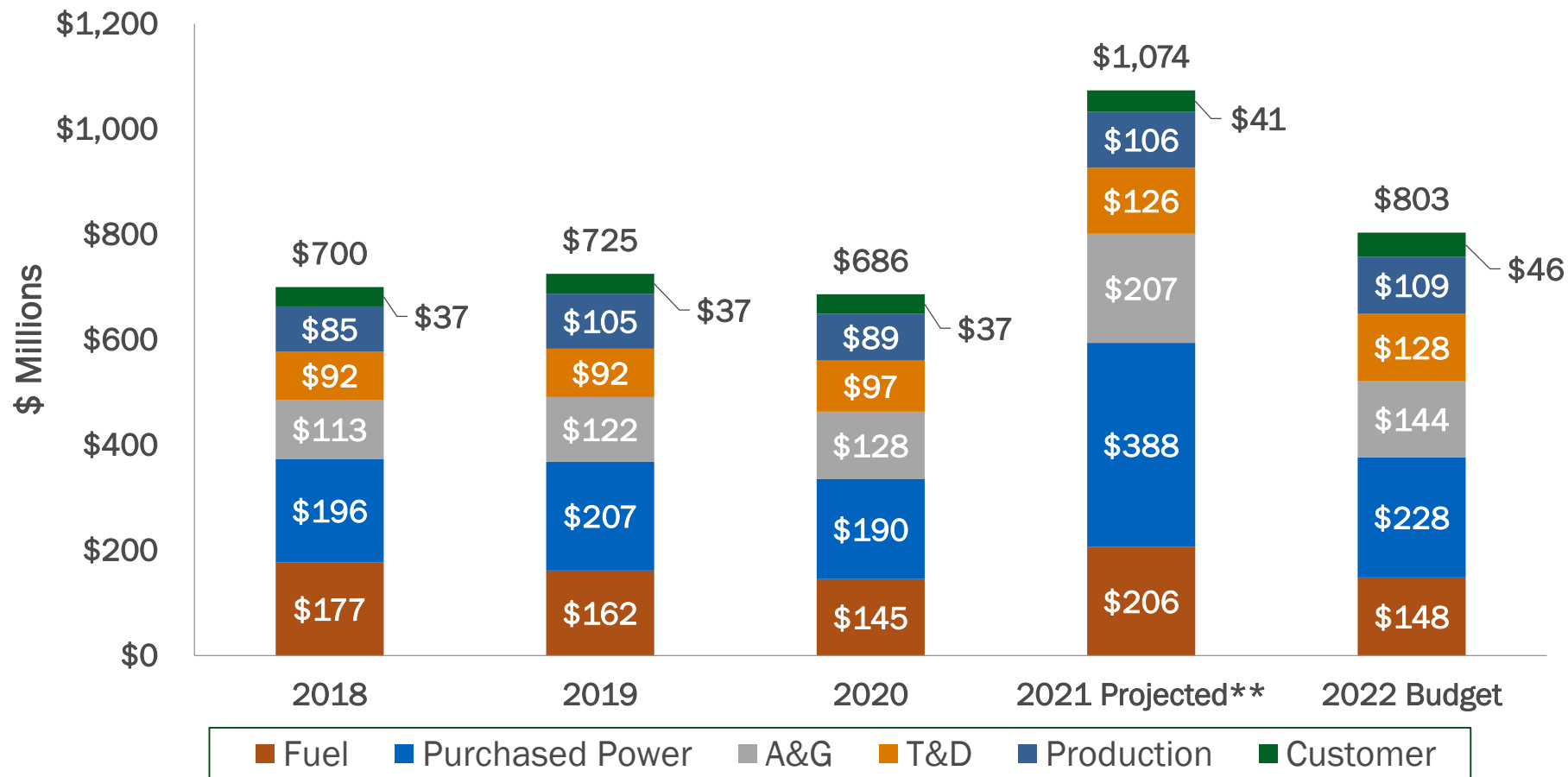
\*2021 Projection Other category is disproportionately large due to the February Polar Vortex weather event.



# Other Electric Revenue



# Operations and Maintenance Expense\*

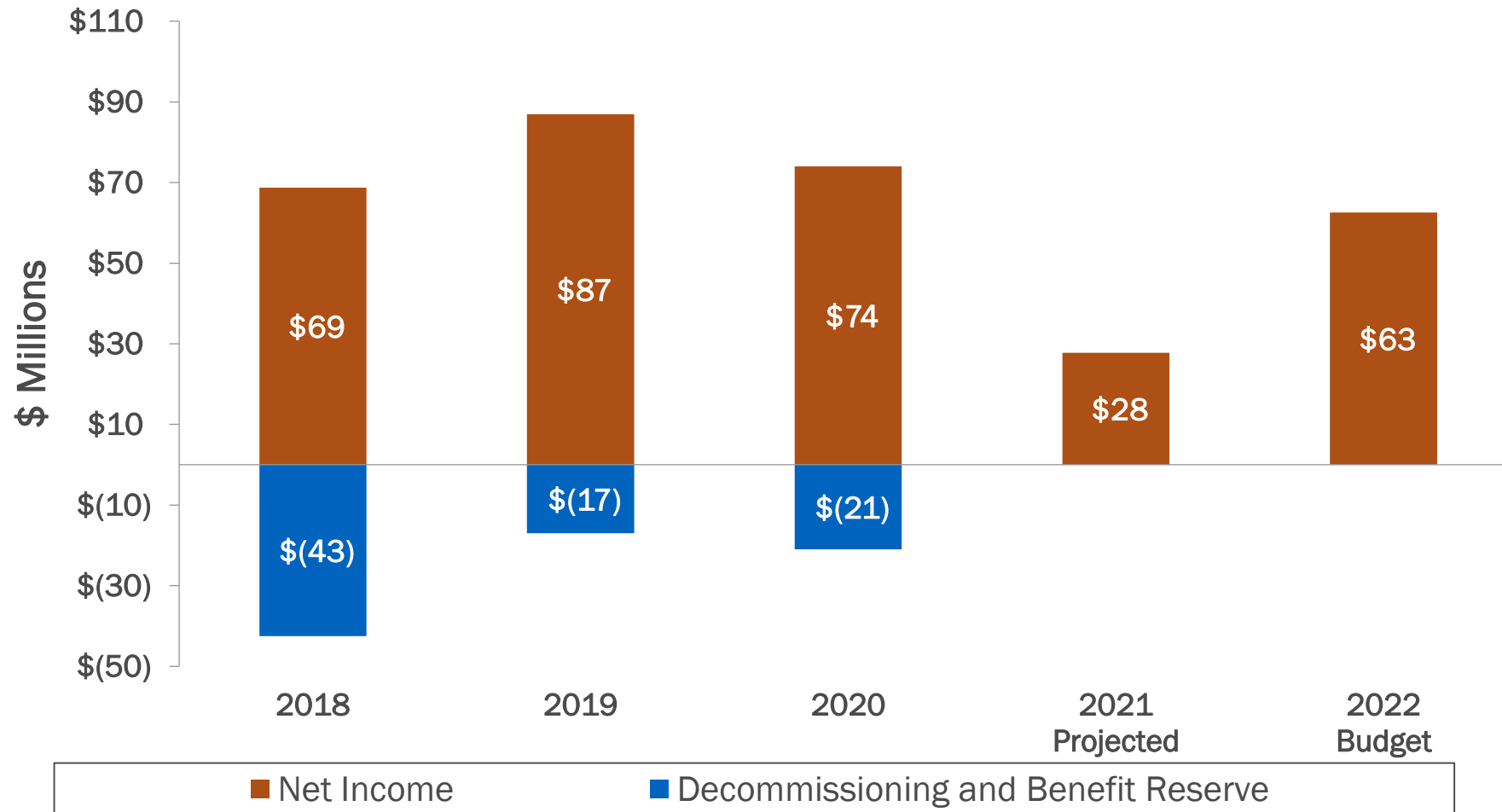


\*Excludes Fort Calhoun Station decommissioning funding and expenditures

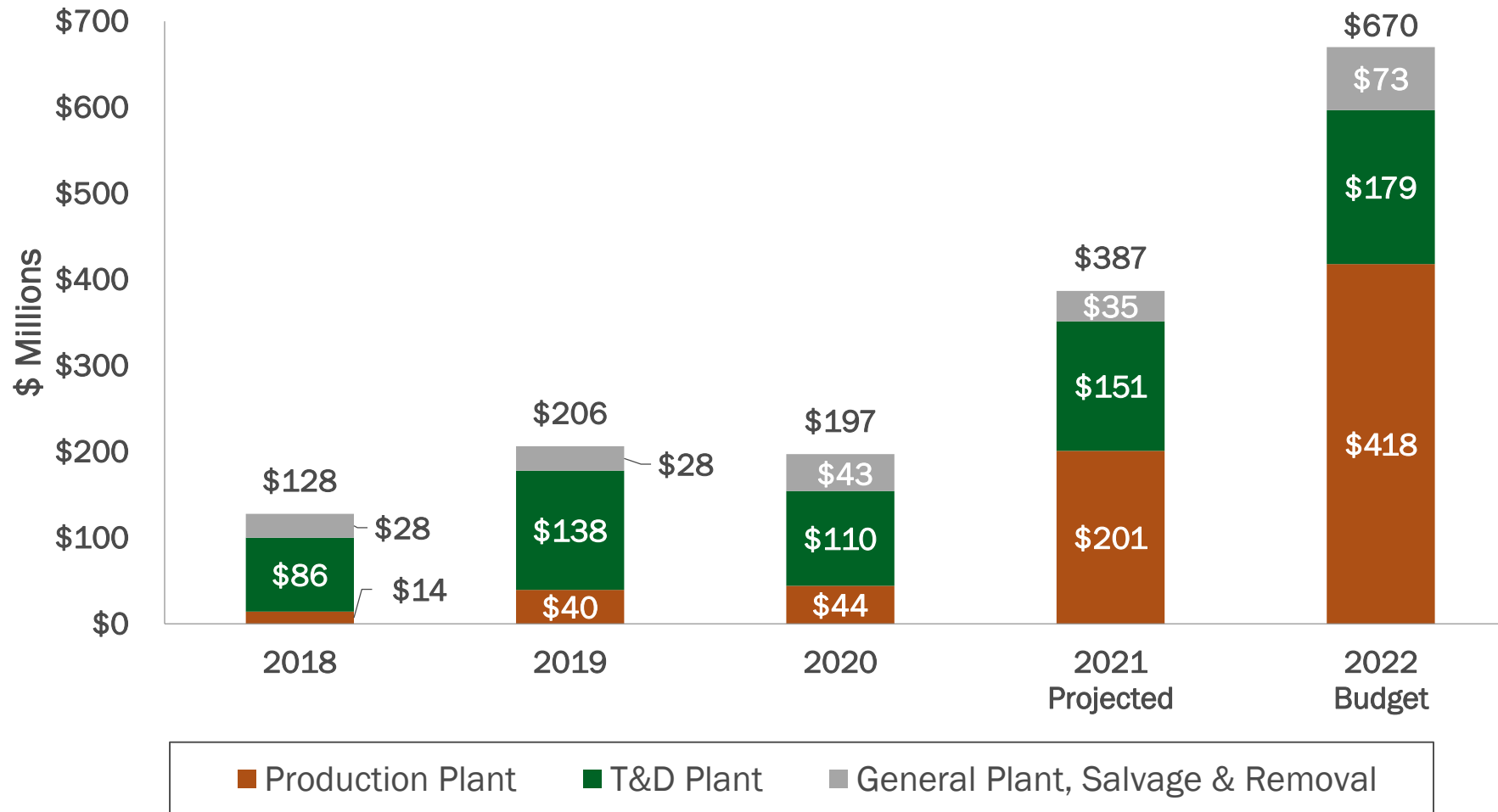
\*Operations and Maintenance Expenses presented by FERC accounts, as opposed to business units

\*\*2021 Projection is disproportionately large in Purchased Power due to the February Polar Vortex weather event and A&G due to the use of the Decommissioning and Benefits Reserve Account to fund the Pension Liability.

# Net Income

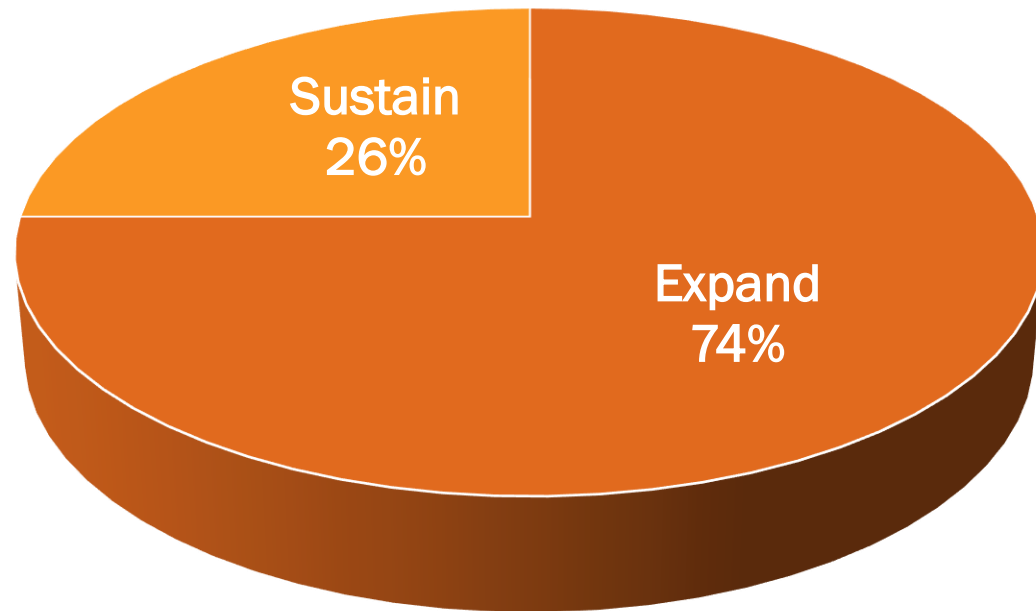


# Capital Expenditures



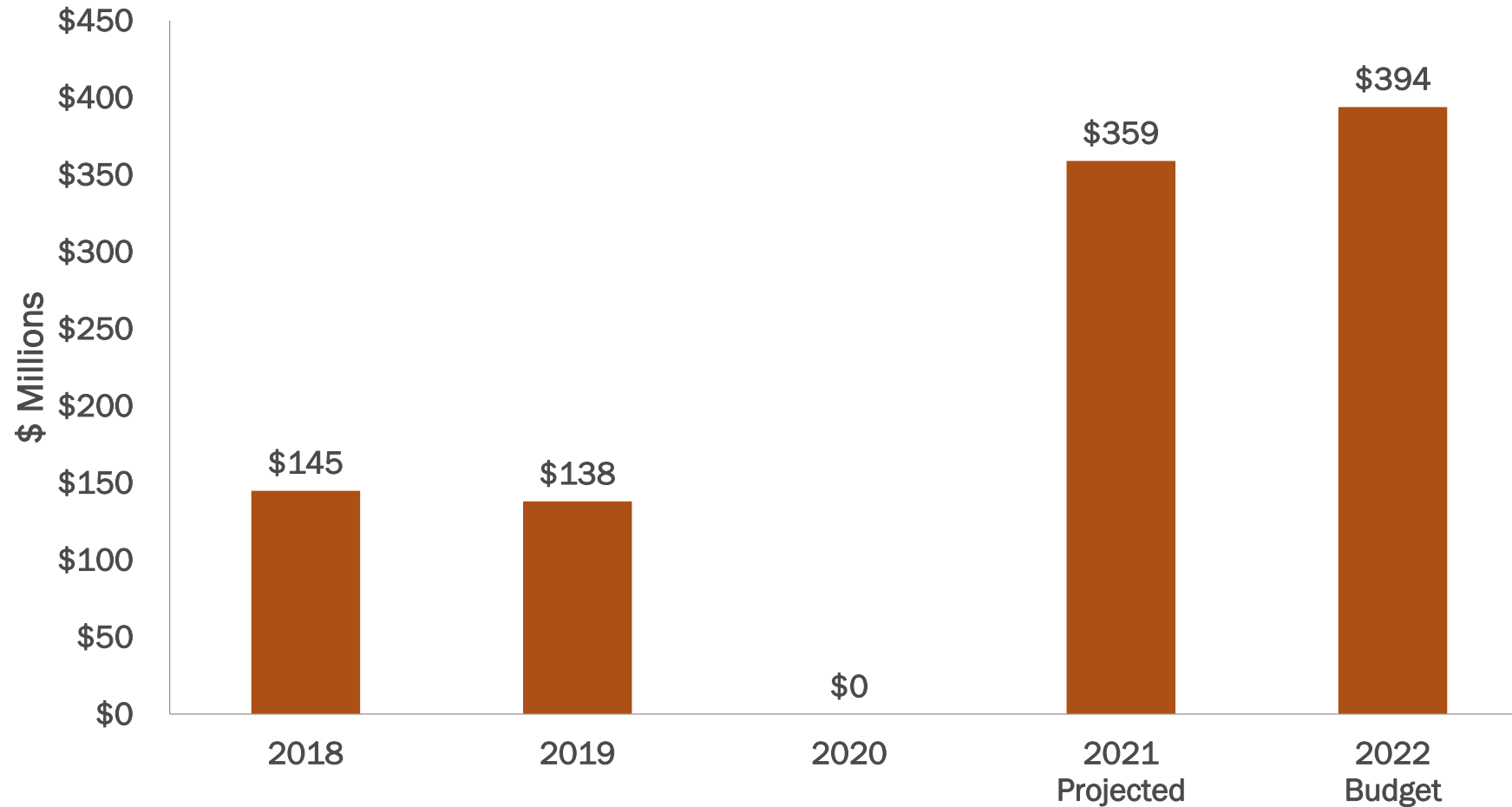
Note: 2022 Budget includes a large increase in Production Plant, which is primarily related to Power with Purpose infrastructure investment.

# Capital Expenditures Philosophy



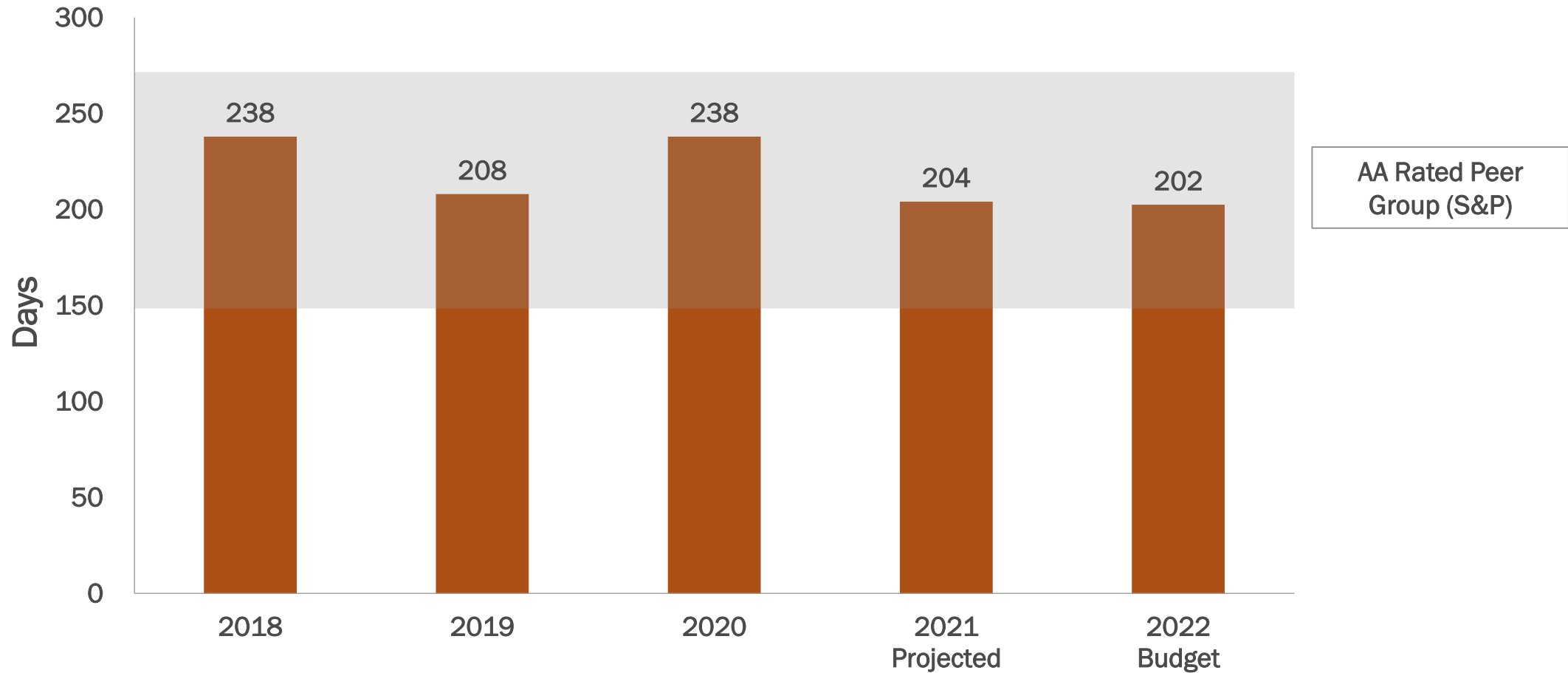
- ‘**Sustain**’ vs ‘**Expand**’ Investment categories used to calibrate 2022 Capital Expenditures budget total.
- **Sustain** category includes routine capital projects that are aimed at maintaining and improving existing assets and is budgeted at a consistent level year over year.
  - 26% or \$174 million of the 2022 total Capital Budget.
- **Expand** category is for new assets planned to be added to the District’s asset base, such as the Power with Purpose infrastructure investments.
  - 74% or \$496 million of the 2022 total Capital Budget.
- This philosophy is important to ensure that existing assets are still receiving sufficient investment at a time when the system is undergoing significant expansion.

# Long-Term Debt Financings\*



\* Principal amounts reflected, which are different than the net proceeds amount, as a result of premiums and discount values yielded on the issuance.

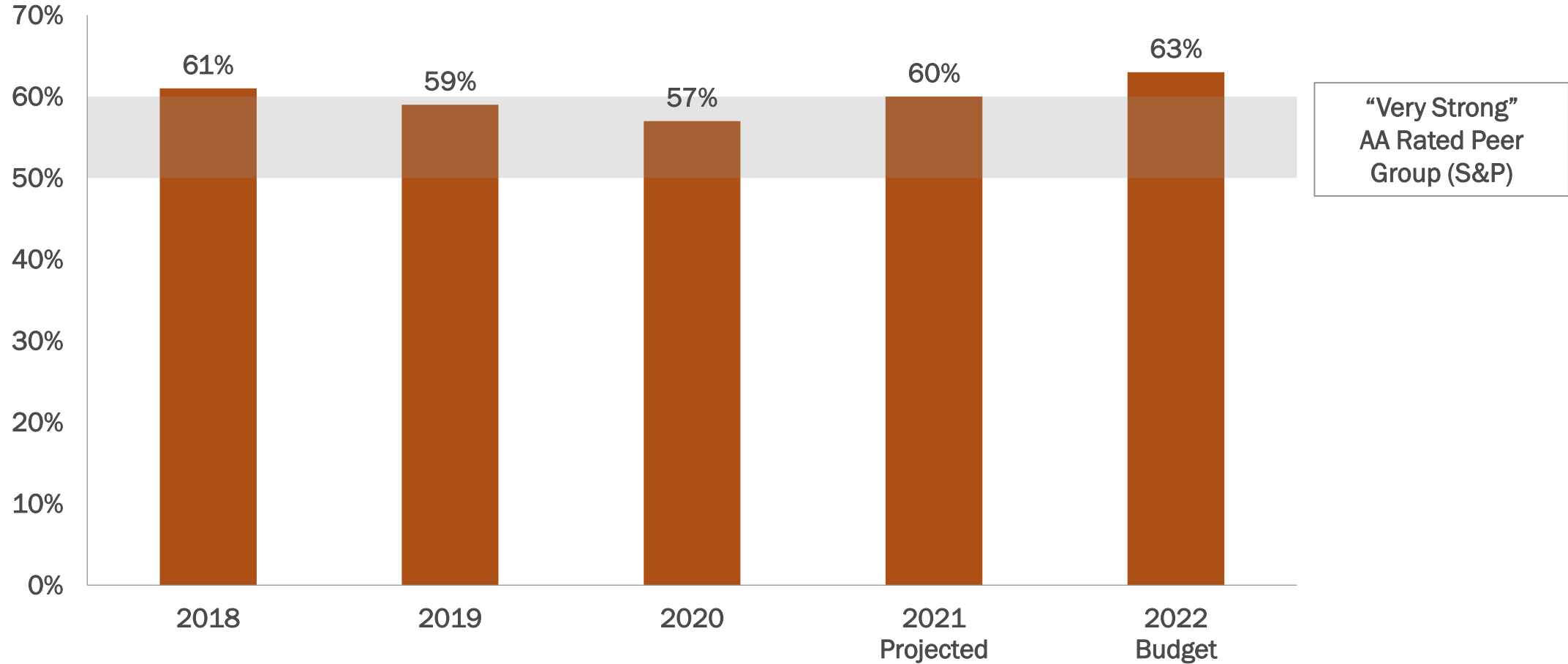
# Days Cash On Hand\*



\* Number of days that operating expenses can be paid with current cash, excluding liquidity facilities

\* Supports Board Strategic Directive Policy SD-3: Access to Credit Markets

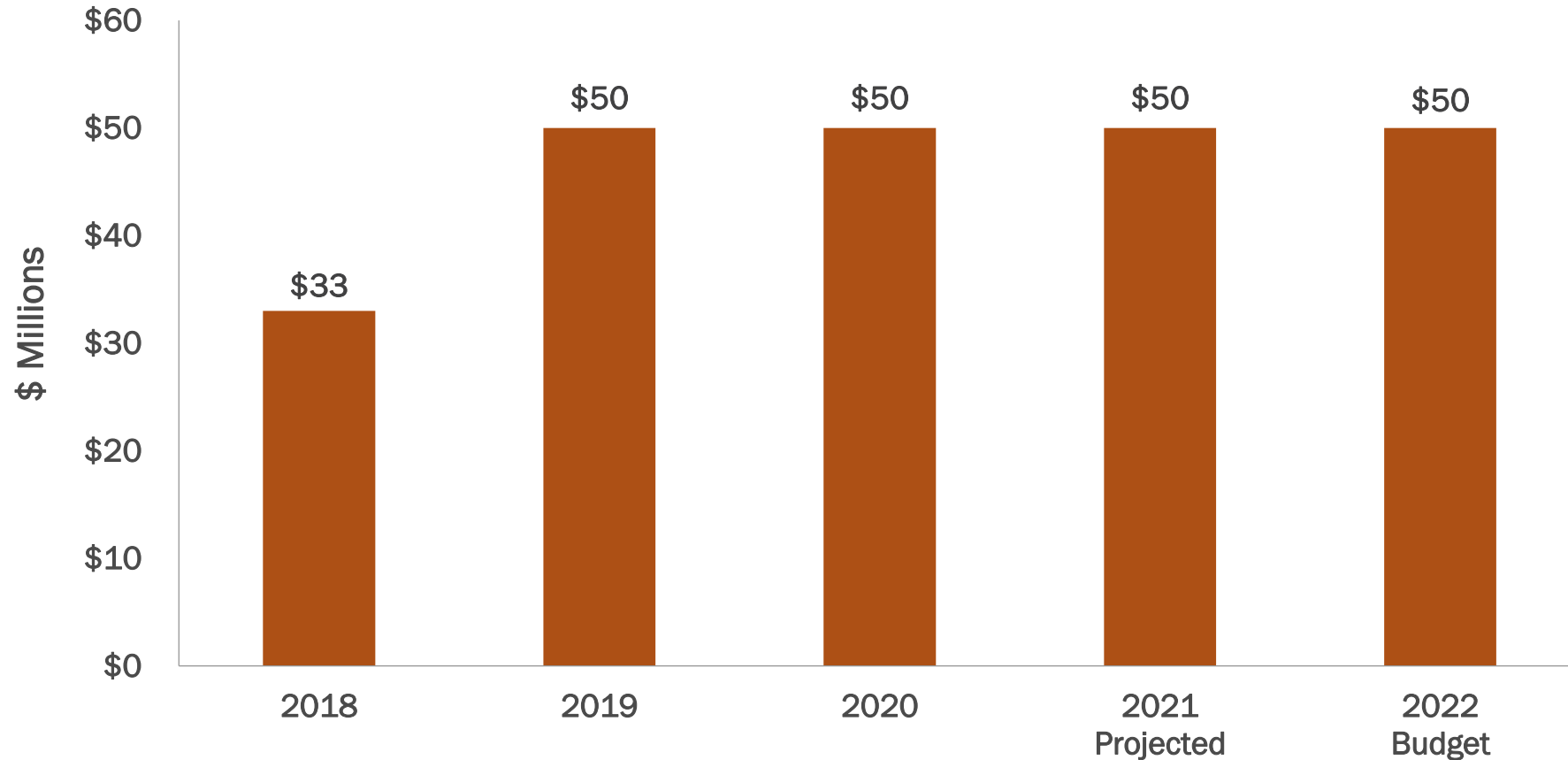
# Debt Ratio\*



\* Total Debt Outstanding as a percentage of Total Capitalization at year end



# Rate Stabilization Account Balances\*



\* At year end

# Decommissioning & Benefits Reserve Account Summary

- The Decommissioning and Benefits Reserve Account (DBRA) was established by the Board in 2016 as a tool to manage the District's two largest liabilities.
- The DBRA is authorized to fund:
  - future decommissioning expenses beyond what was established in the current funding plan in any given year
  - future pension liabilities above the annual required contribution
- Management is authorized to use regulatory accounting to reduce current revenues to fund the DBRA and conversely increase revenues when using the DBRA in the future.
- The DBRA reserve amount is currently \$115 million.

# Decommissioning & Benefits Reserve Account Analysis & Conclusion

## Probabilistic Analysis

- Developed a probabilistic model that determines whether reductions in the DBRA to support the Retirement Fund will reduce the probability of fully funding decommissioning
- Model variables include decommissioning expenses, funding levels, investment returns, and refunds for spent fuel

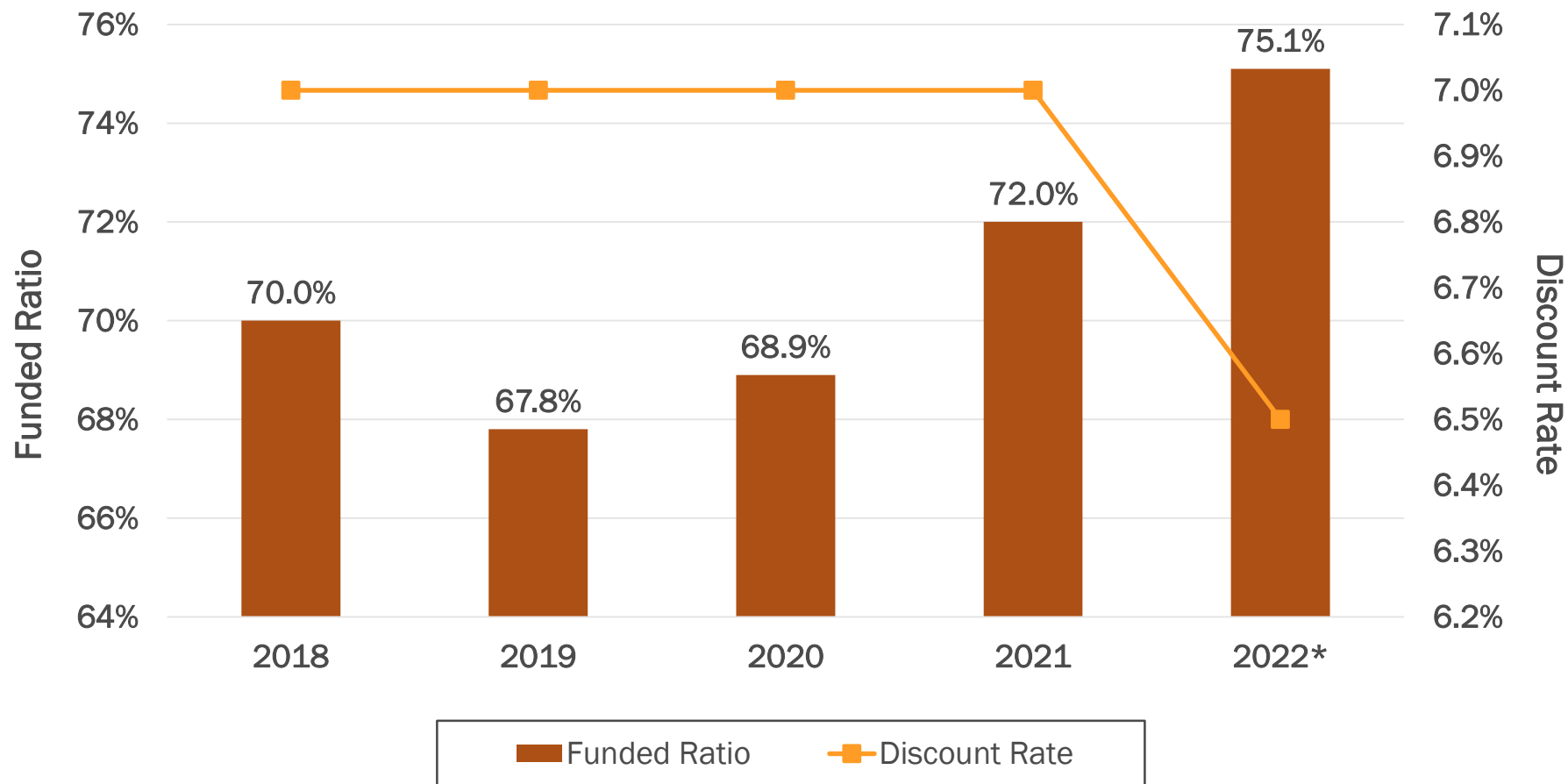
## Conclusions

- The Retirement Plan will be the largest OPPD unfunded liability as of January 1, 2022
- The ERM process has identified possible worst case increase in decommissioning costs of \$20 million
- The probabilistic model indicates that 75% chance of fully funding decommissioning costs with a \$20 million DBRA balance to support additional decommissioning expenses

## Action

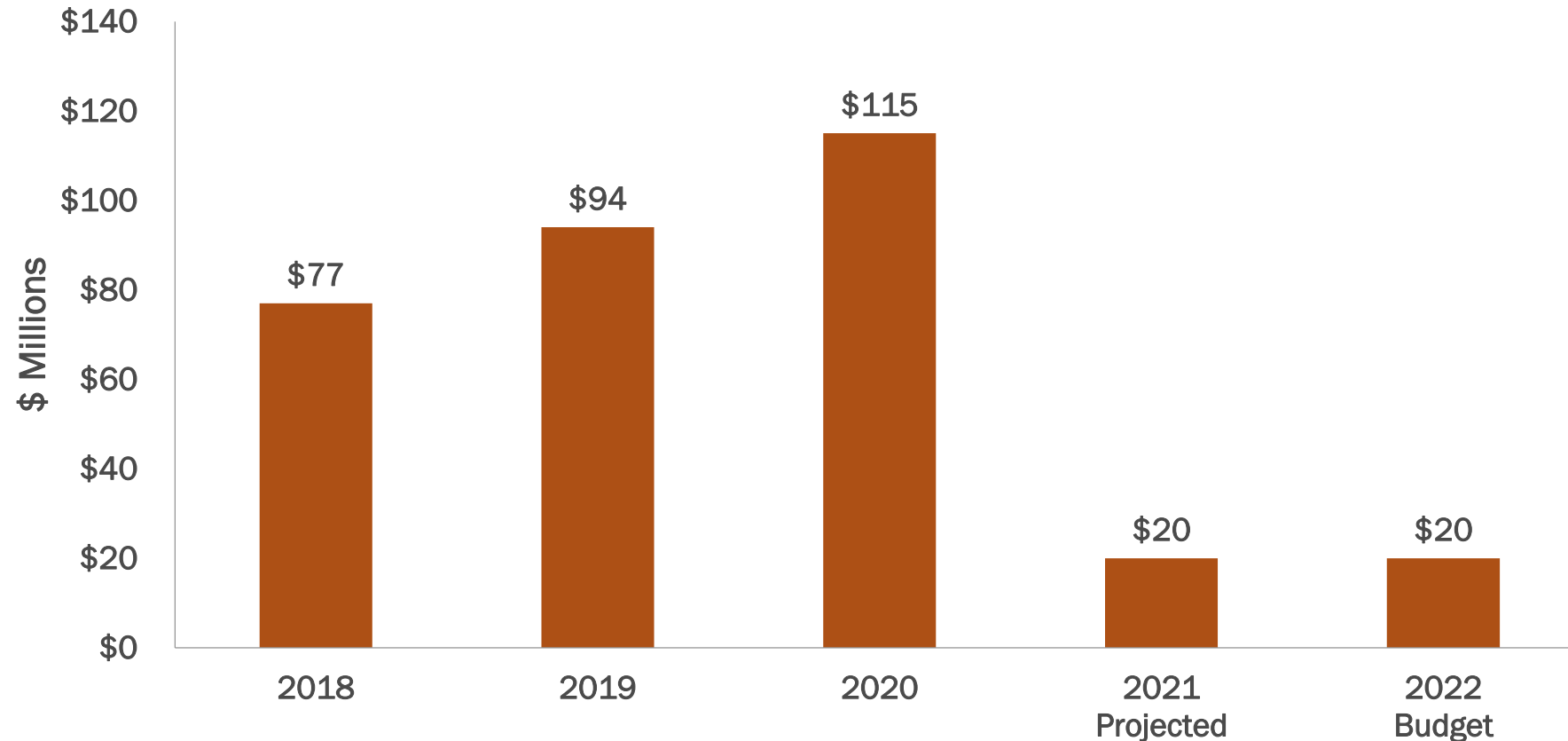
- Use \$95 million from DBRA to support the Retirement Plan in December 2021
- The remaining \$20 million DBRA balance can be used to support decommissioning expenses through 2025

# Retirement Fund Funded Ratio & Discount Rate



\* Projected and assumes a \$95 million contribution from the DBRA Reserve

# Decommissioning and Benefit Reserve Account Balances\*

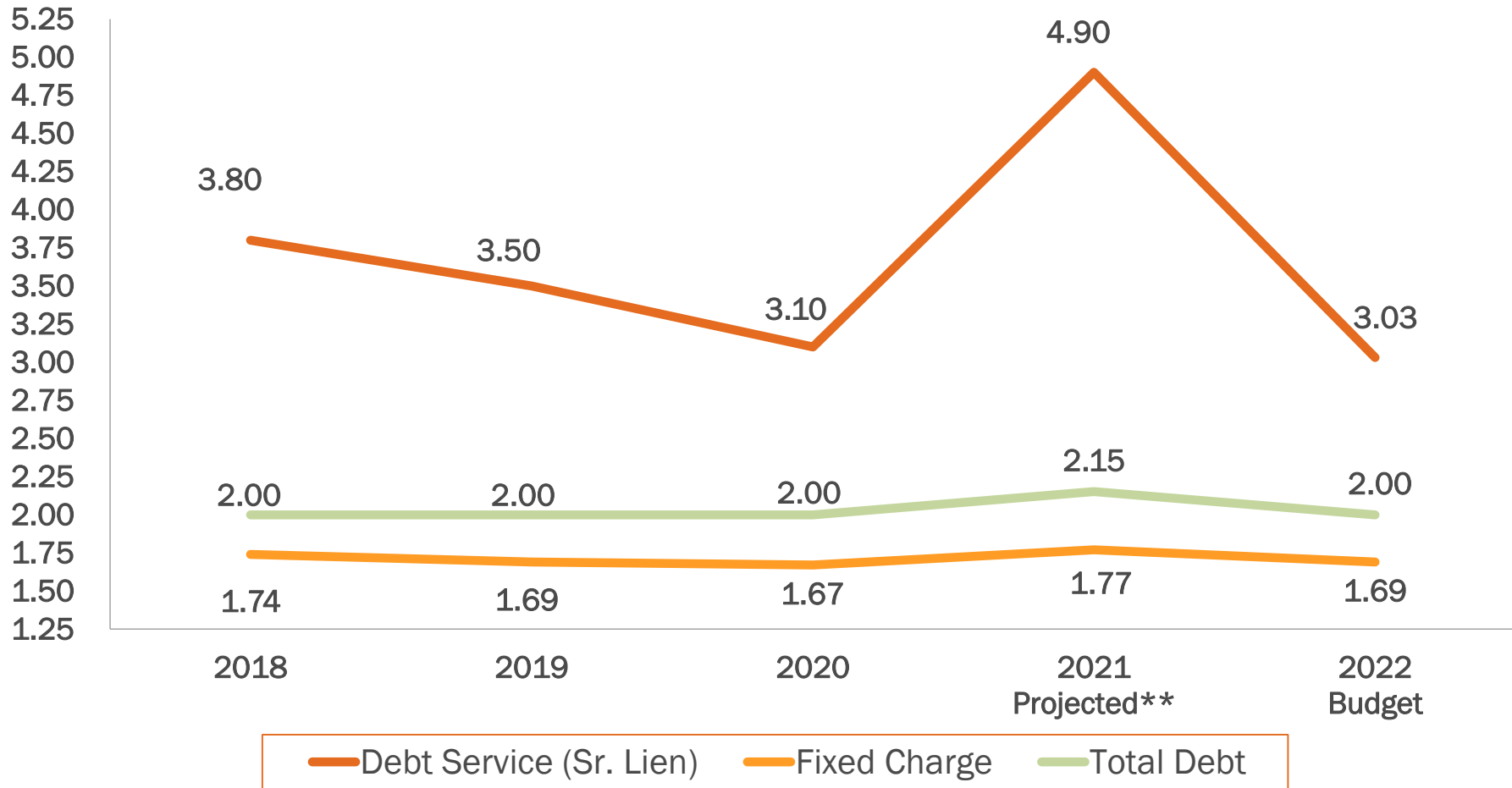


\* At year end

\* Values adjusted for following year balance sheet totals and reflect the reserve liability

# Coverage Ratios\*

Total Debt Coverage Target = 2.00



\*Number of times that Net Revenue covers Debt Payments - Supports Board Strategic Directive Policy SD-3: Access to Credit Markets  
 \*\*2021 Projection reflects the use of \$95 million of Decommissioning & Benefits Reserve Account

# The Brattle Group Inc.

- Virtual Half Day Reviews Held September 27<sup>th</sup>, 30<sup>th</sup> and October 6<sup>th</sup>
  - Customer Usage Forecasts / Methodology
  - Revenue Forecasts
  - Resource Planning
  - Generation Plan / Scheduling
  - Fuel Budget
  - Operation & Maintenance Expense Budget
  - Fort Calhoun Station Decommissioning
  - Capital Expenditure Plan
  - Preliminary review complete, final report expected in December

# Next Steps

- 2022 Preliminary COP posted on OPPD.com for customers to review
- Present a summary of changes between the Preliminary and Final COP at the December Finance Pre-Committee meeting
- Present a summary of changes between the Preliminary and Final COP at the December Board of Directors Committee meeting on December 14<sup>th</sup>
- 2022 Corporate Operating Plan will be disseminated to the Board on December 16<sup>th</sup>
- Proposed Board approval of the 2022 COP and 2022 Rate Action at December Board meeting on December 16<sup>th</sup>

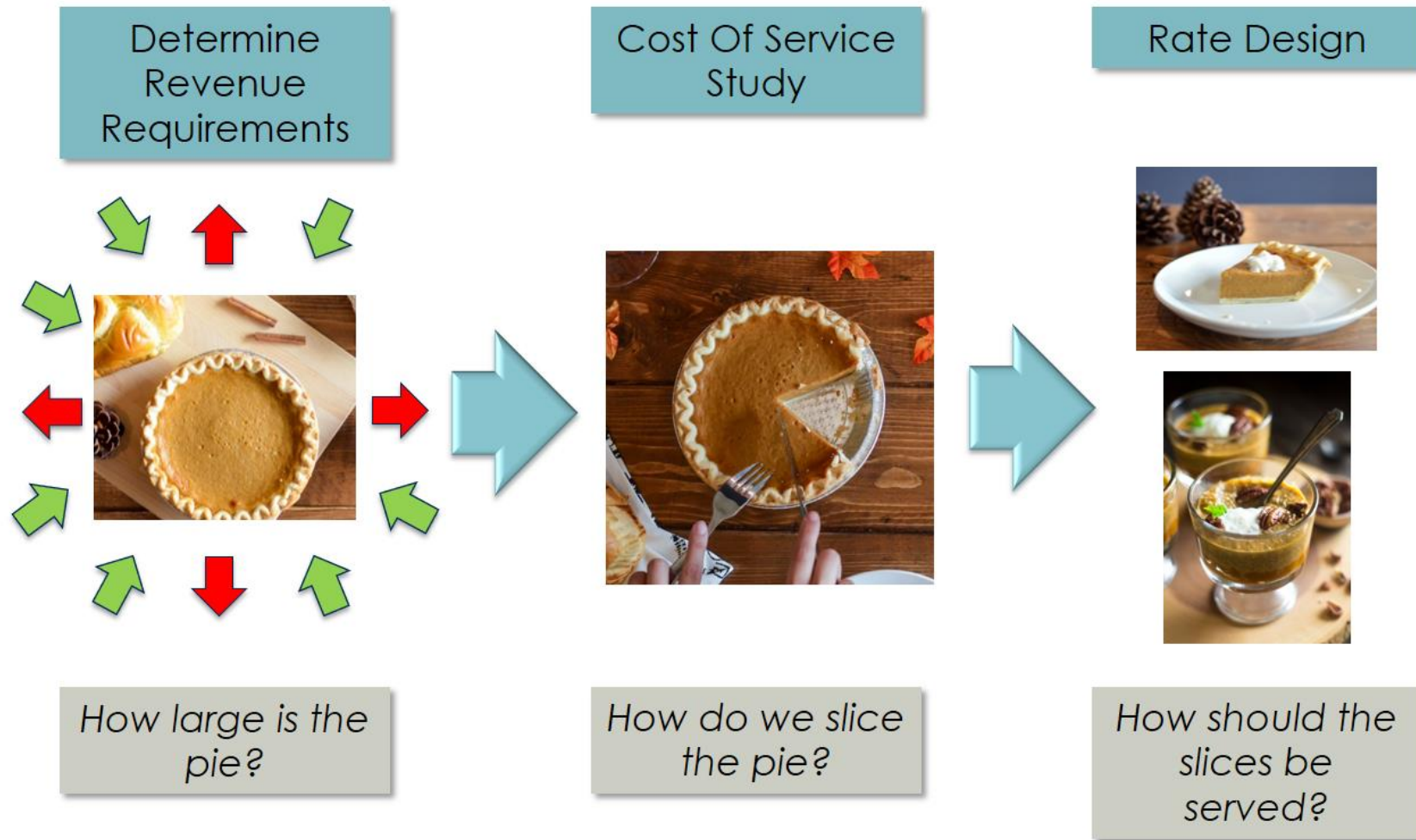




# 2022 Rate Case Update



# Rate Making Overview



# Rate Making Overview

## Steps in an Embedded Cost of Service Study

Step 1: Functionalization

Step 2: Classification

Step 3: Allocation

- Key question to be asked at every step in the process:
  - What caused the costs to be incurred? (**cost causation**)

Step 4: Rate Design

# Cost of Service Study

## Process and Approach to Rate Design

- Over the last 3 years, with our rate consultant, we have made improvements to modernize OPPD's Cost of Service Study
  - Allows us to complete the study in a fraction of the time it historically took
  - Able to look at different scenarios to be able to see how changes will impact rates
  - Continue to add advanced modeling techniques to the study to support future rate options
- After the Resource Optimization Sessions have concluded and budget templates are entered, we begin the COS study process
  - Pull data into the Cost of Service Study
  - Verify the revenue requirement needed
  - Identify shortfalls at a customer class level
  - Begin designing rates to recover the shortfall
- Setting Rates - Make sure rates are set correctly to help us prepare for the future, make better decisions, and send more accurate price signals
  - Cost causers are allocated the cost they cause the District in order to serve them
- The Brattle Group has reviewed the Cost of Service Study and supports the proposed rate changes

# 2022 Rate Changes

## Proposed Percent Increase by Customer Class

Proposed Percent Increase by Customer Class						
	Residential	Commercial	Industrial	Lighting	Wholesale	Total
Proposed Increase*	3.2%	0.9%	3.2%	2.5%	0%	2.5%
Proposed Revenue Increase (\$ Millions)	13.49	2.81	9.26	0.43	0.00	\$25.99

\*This is an average increase at the customer class level. Rates within the class will have varying increases. Customers within each rate will have varying increases.

# 2022 Rate Changes

## Other Rate Items

- Green Power Riders 463A and 463B:
  - Green Power Riders will be removed as applicable Riders effective 3/31/22.
- Sports Fields and Fairgrounds Service:
  - Sports Field and Fairground service to be removed effective 1/1/22.
- Three new LED streetlight methods will be added.
- Rider 470: Customer Service Charges- updating the line extension and temporary charges for Residential (F) and General Service (H) and also the Tenant Attachment Fee (I)
- Updating the Monthly Curtailment Credits for General Service - Curtailable: Riders 467, 467H and 467L

# Fuel & Purchase Power Adjustment

- By formula, OPPD recovers the costs incurred for fuel and purchase power by its Fuel and Purchase Power Adjustment (FPPA).
- Starting in 2022 the FPPA formula will include revenue that result from excess energy sales into the Southwest Power Pool (SPP). This change is being made to both better reflect the structure of modern competitive power markets and will also provide increased stability to the over or under collected amounts in the formula on an annual basis.
- The FPPA recovers costs via two mechanisms, the Base Rate which is included in the general rate and the FPPA Factor which is an adjustment that is billed on top of the general rate. The adjustment factor can be seen on customers' bills.
- The change in formula does not generate a rate increase or decrease in and of itself and the Fuel and Purchase Power adjustment factor on the bill will remain unchanged.