

Monitoring Report SD-2: Rates Finance Committee June 18, 2024

Jeff Bishop, Vice President – Financial Services & CFO

SD-2: Rates

Directional Rate Target

- **Comparison against the North Central Region:**
 - *North Central Region, as defined by OPPD, is the region made up of the following seven states: Illinois, Iowa, Indiana, Kansas, Missouri, Nebraska and South Dakota.*
 - *Comparison is done on a System Average Basis: Total revenue billed to retail customers divided by total kWh sold to retail customers. The result is measured in cents per kWh.*
 - *OPPD obtains data from the Energy Information Administration's (EIA).*
- **Directional goal of 10% below the North Central Region average rates**
 - *Despite OPPD having a modest 2.5% general rate increase across all rate classes in 2022, OPPD trended further above the directional goal.*
 - *Specific to the region, States like Illinois and Indiana have retired significant capacity resources in recent years.**
 - *Illinois – 11 plants with total capacity of about 2,895 MW*
 - *Indiana – 8 plants with total capacity of about 2,712 MW*
 - *Kansas's largest electricity provider Evergy cited generation capacity and grid modernization in their latest rate case.*
 - *The utility industry and region have experienced upward pressure from trends in rising load growth, increasing wholesale power supply costs, supply constraints, and escalating inflationary costs.*

*Source: <https://ieefa.org/coal-unit-retirement>

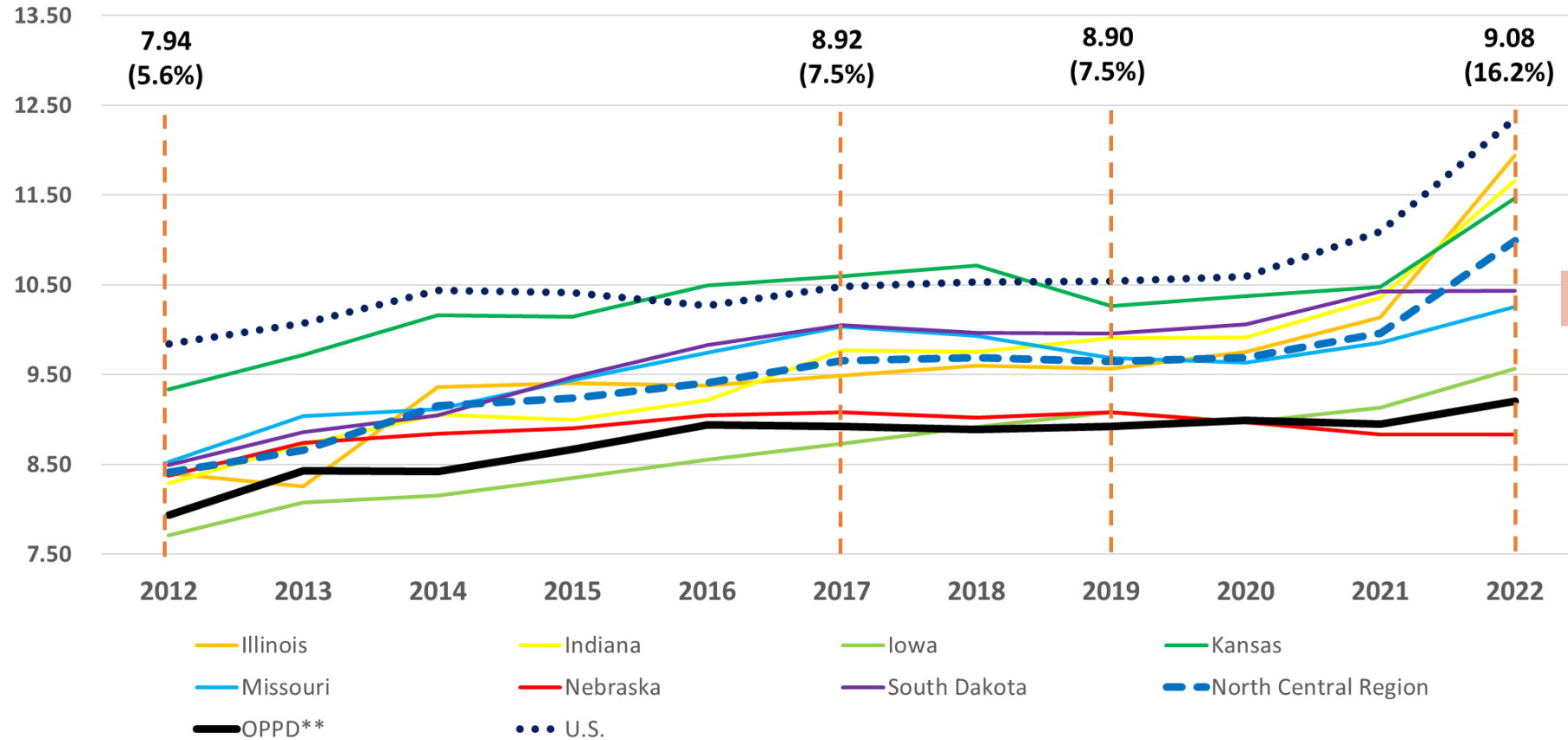
*Retirements in 2022 & 2023

SD-2: Rates

Directional Rate Target

North Central Region* Average Rates All Rate Classes (¢/kWh)

Data from EIA - Electric Sales, Revenue, and Average Price



OPPD
25.5%
below
national
average

* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

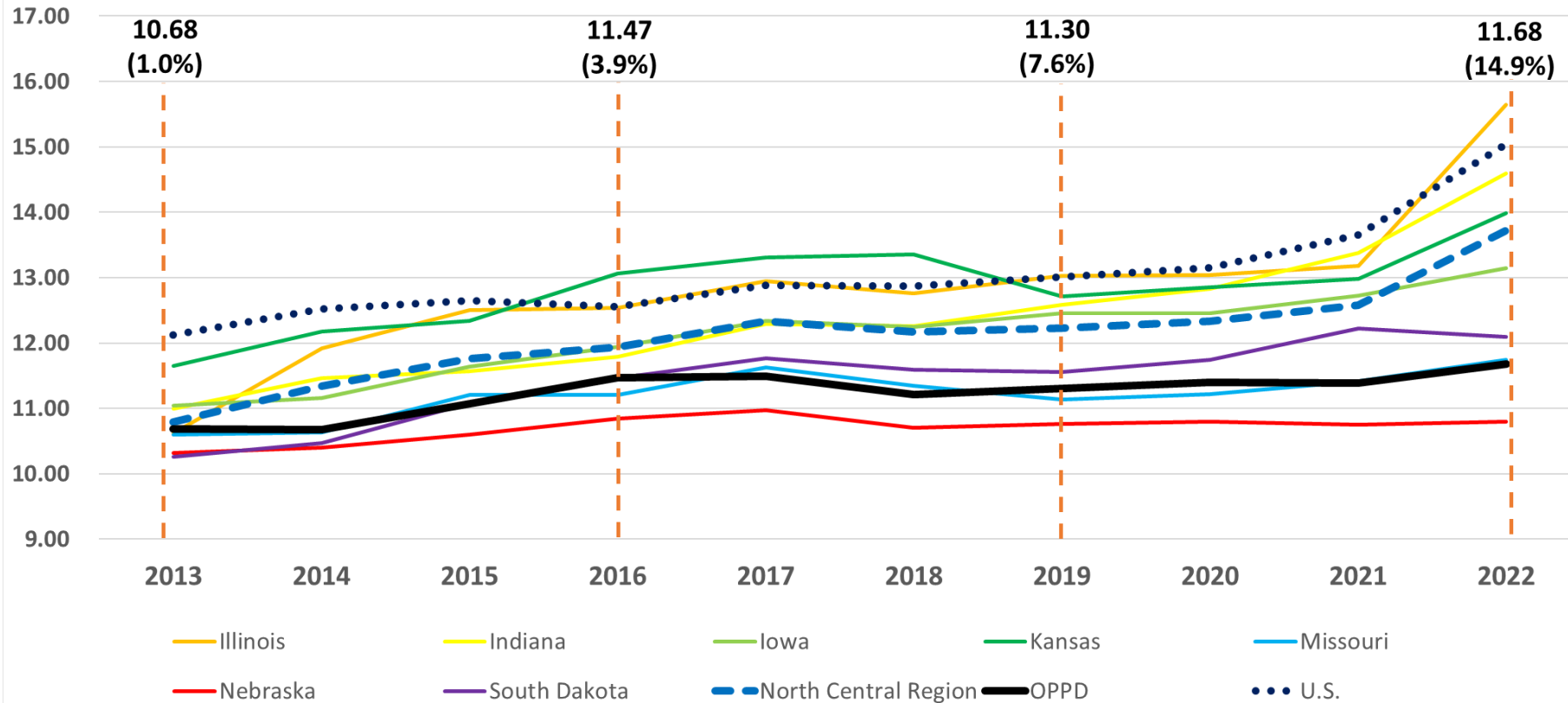
** Does not include market-based rates

SD-2: Rates

Directional Rate Target

North Central Region* Average Residential Rates (¢/kWh)

Data from EIA - Electric Sales, Revenue, and Average Price



OPPD
22.3%
below
national
average

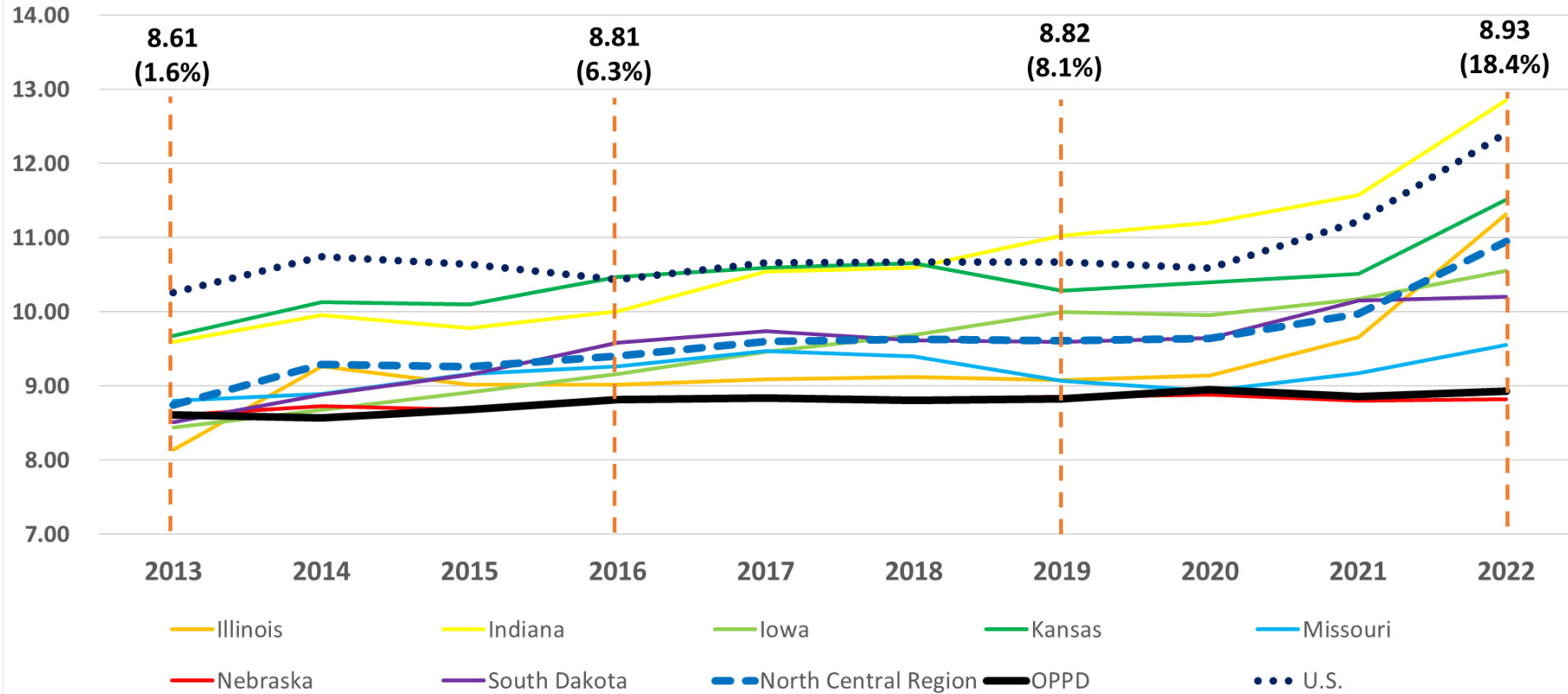
* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

SD-2: Rates

Directional Rate Target

North Central Region* Average Commercial Rates (¢/kWh)

Data from EIA - Electric Sales, Revenue, and Average Price



OPPD
28.0%
below
national
average

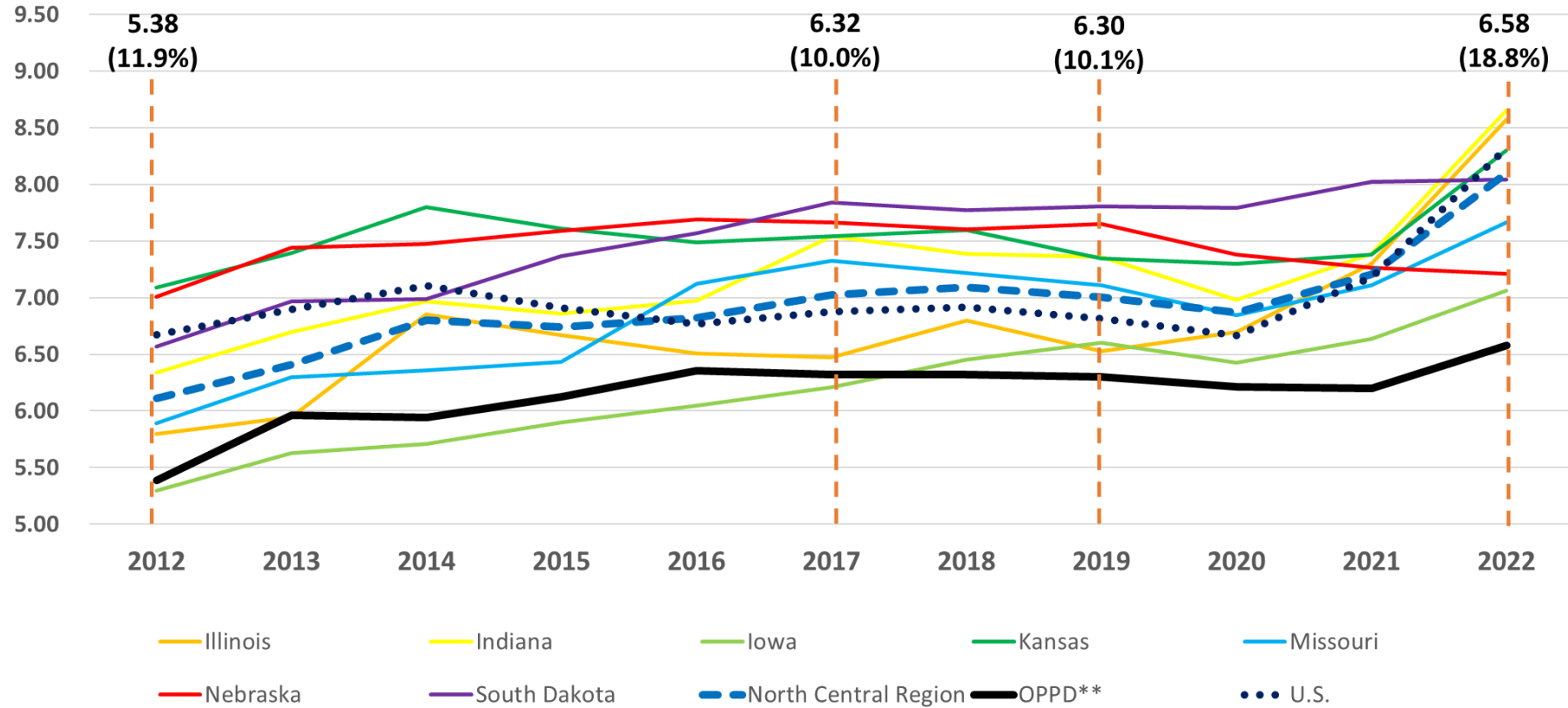
* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

SD-2: Rates

Directional Rate Target

North Central Region* Average Industrial Rates (¢/kWh)

Data from EIA - Electric Sales, Revenue, and Average Price



OPPD
20.9%
below
national
average

* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

** Does not include market-based rates

SD-2: Rates

Fair, Reasonable, and Non-Discriminatory

- **Maintain fair, reasonable and non-discriminatory rates as stated in Nebraska Revised Statute 70-655**
 - *Cost of Service Study (COSS) is completed to align rates with cost drivers.*
 - *Continually evaluating allocations based on changes within the organization and industry.*
 - *Costs are allocated across classes according to their unique usage characteristics.*
 - *The rate setting process is reviewed by an outside consultant (The Brattle Group).*
- **In 2023, OPPD continued the Rate Design Project (RDP).**
 - *Published Phase 1 Final Report on OPPD Community Connect.*
 - *Launched Phase 2 of project which aims to:*
 - *Develop multi-year vision leveraging AMI-based technology to offer customer solutions in alignment with rate principles established in Phase 1 of the RDP. This effort will include:*
 - *Near-term and long-term rate design considerations as we transform over the next several years.*
 - *Development of alternative rates with focus on customer outreach, education, alignment with policy objectives and ability to support the overall investments and revenue requirement.*

SD-2: Rates

Cost Assignment Across and Within Classes

- **Equitably assign costs across and within all customer classes.**
 - *Equitable assignment of costs within rate classes is dependent on rate structure, metering technology, and customer homogeneity.*
 - *2024 Rate Action aligned cost recovery to the COSS in support of fair, reasonable, and non-discriminatory rate recovery principles.*

	Industrial	Commercial	Residential
Customer Costs*	●	●	●
Energy Costs	●	●	●
Demand Costs*	●	Partial	Partial

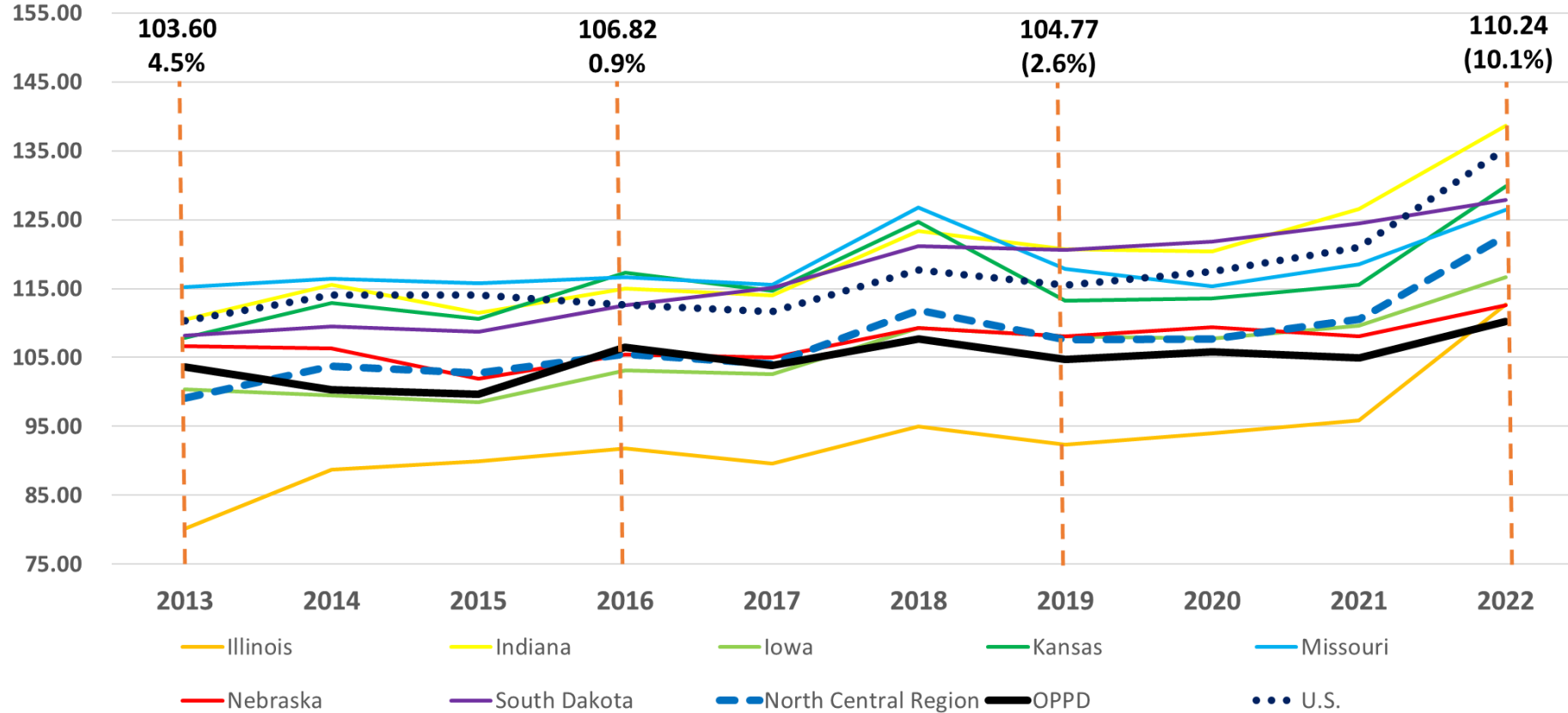
**Service charge recovers a portion of the customer and distribution related costs for small commercial and residential rate classes*

SD-2: Rates

North Central Region* Average Residential Bill (\$/Month)

Data from EIA - Electric Sales, Revenue, and Average Price

Affordability Indicators



OPPD
18.5%
below
national
average

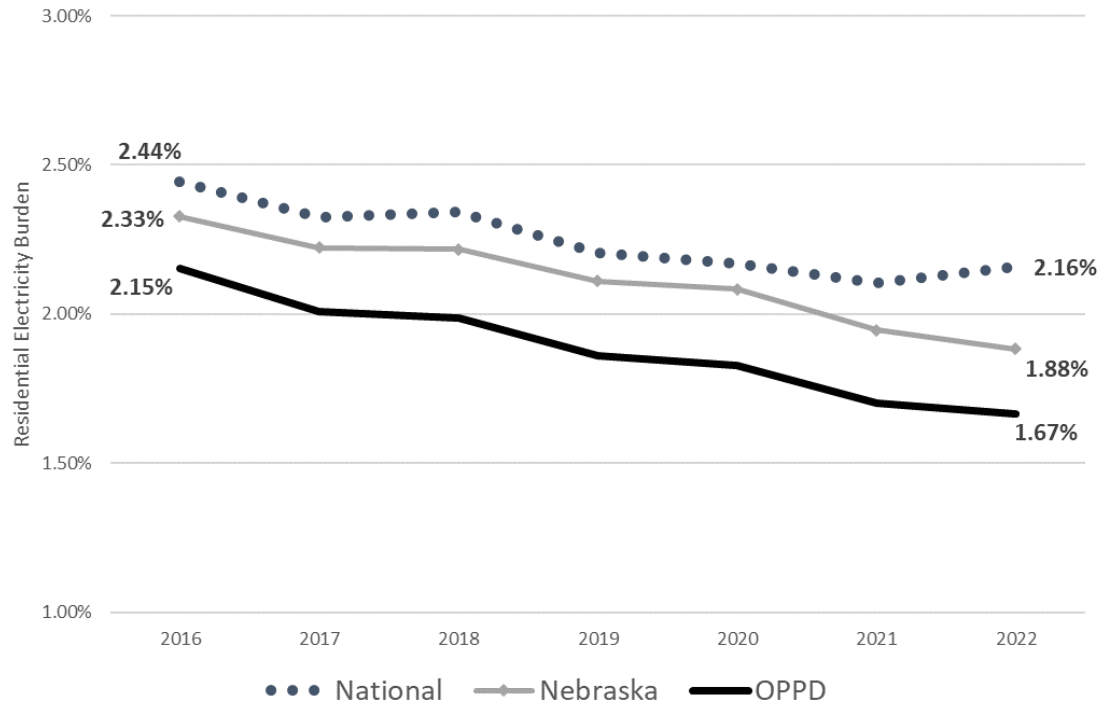
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OPPD	\$98.06	\$103.60	\$100.37	\$99.70	\$106.43	\$103.82	\$107.64	\$104.77	\$105.82	\$104.99	\$110.24
Region	\$96.87	\$99.12	\$103.78	\$102.71	\$105.51	\$104.10	\$111.83	\$107.55	\$107.71	\$110.55	\$122.62
U.S.	\$107.28	\$110.30	\$114.09	\$114.03	\$112.59	\$111.67	\$117.65	\$115.49	\$117.46	\$121.01	\$135.25

* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

SD-2: Rates

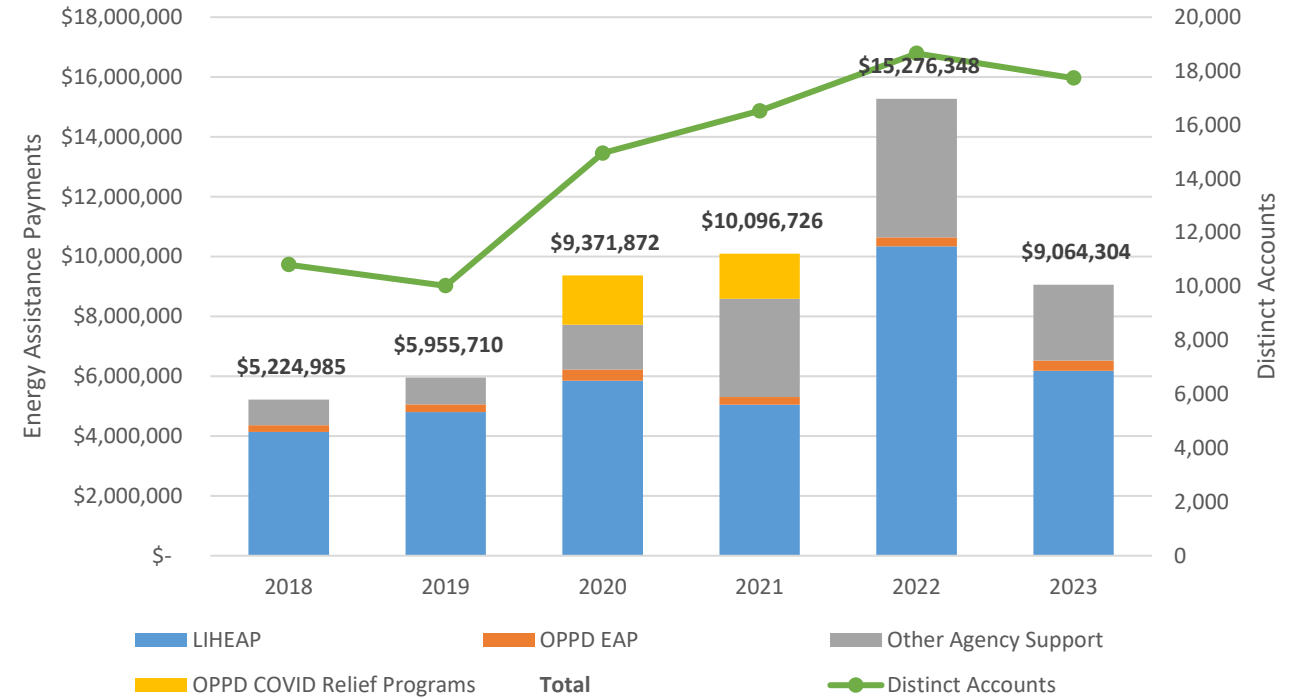
Affordability Indicators

Residential Electricity Burden



Median Household Income Data from US Census, ACS-5Y,
Electricity Data from EIA Annual Electric Utility Data

Energy Assistance Payments



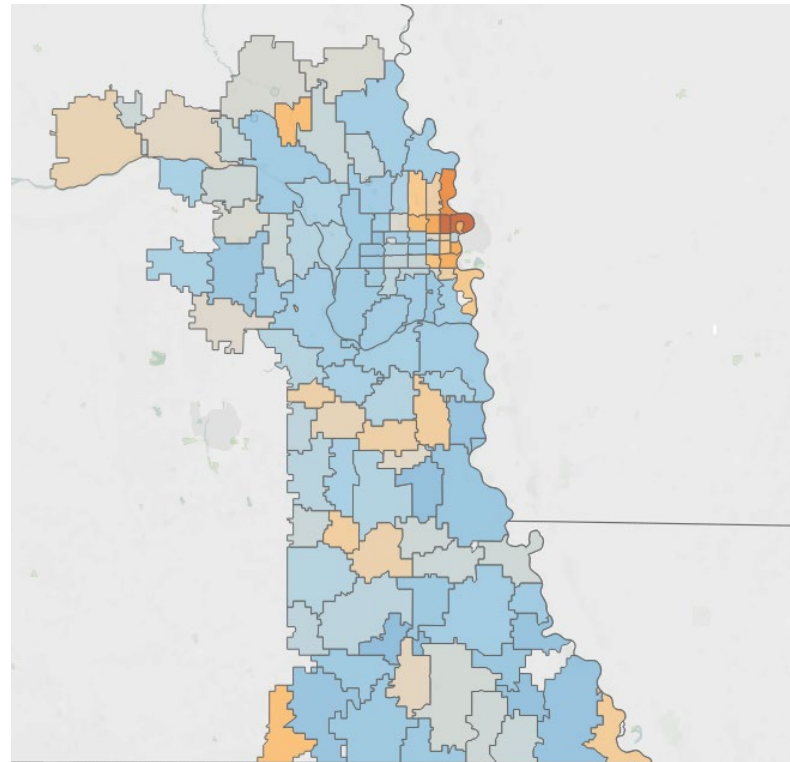
- 41% decrease in assistance funding from 2022
- Energy assistance funding has returned to pre-pandemic levels
- Increase in assistance funding during pandemic helped mitigate the impact on arrears and affordability for income constrained customers

SD-2: Rates

Monitor Affordability Indicators - 2022

- Average Electricity Burden varies throughout our service territory and is also impacted by the population within a zip code, heating source, and the efficiency of the premise
- Individual customer energy burdens can be above or below the zip code average
- A household with 6% or greater energy burden is considered to be a high energy burden household*
- Customer with 3+ disconnect notices is one indicator of high electricity burden

% Of Customers with 3+ Disconnect Notices



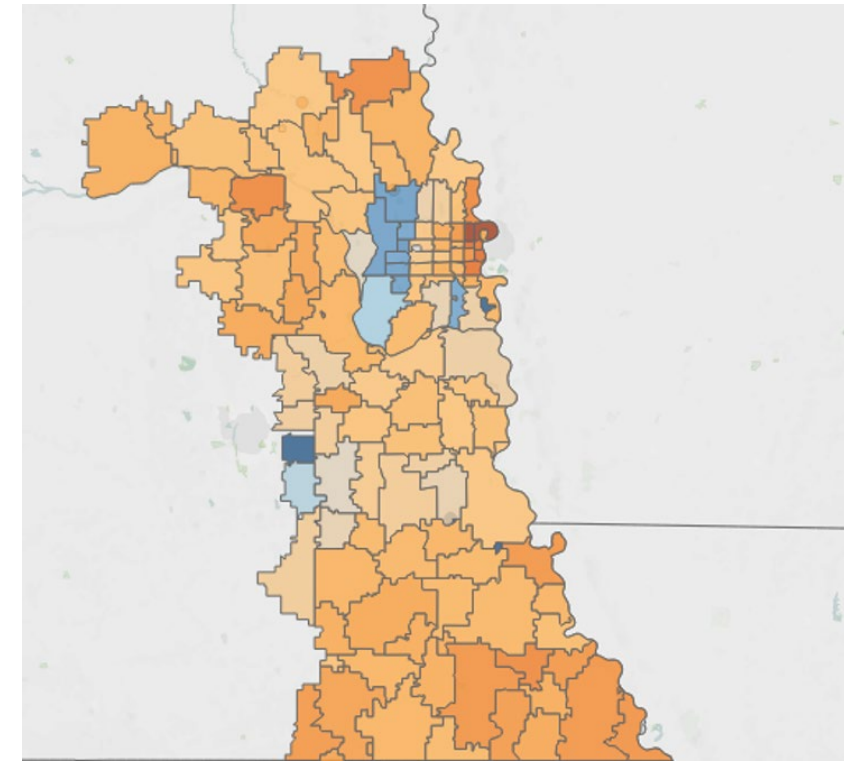
% Of Customers ..

1.33% 31.22%

3+ Disconnect Notices

- 28028 customers had 3+ disconnect notices in 2022
- The average electricity burden of customers with 3+ disconnect notices was 7.97%

Electric Burden by Zip Code



Avg. Electric Burd..

0.77% 10.18%

Electricity Burden:

- For customers with at least 12 month of billing history, 2022 data.
- Does not include taxes or adjustments
- 2022 average 1.67%

SD-2: Rates

Flexibility and Options

- Offer flexibility and options

- *The following options exist to increase flexibility and options for interested and eligible customers.*
- *OPPD is continuously working toward future rate, product, and service offerings to meet the needs of customers.*

Residential	General Service	
Heat Pump	261M	Standby Service*
Private Outdoor Lighting	Streetlights	Curtable*
Cogeneration and Small Power*	Cogeneration and Small Power*	Time of Use*
Surge Guard*	Surge Guard*	Green Sponsorship*
Net Metering*	Net Metering*	Supplemental Capacity*
Community Solar*	Community Solar*	Primary Service Discount*

* Denotes Rider

SD-2: Rates

Cost of Energy When Used

- Pursue rate process and structure changes to reflect the cost of energy when it is used:
 - *Residential and Small Commercial Rates include a seasonal energy charge:*
 - *Summer being June through September*
 - *Non-Summer being October through May*
 - *Fuel and Purchase Power Adjustment is calculated using seasonal energy prices reflecting the cost of the energy when it is expected to be used.*
 - *In Large Power – High-voltage Transmission Level – Market Energy (261M Rate) energy is priced hourly at the SPP market nodal price.*
 - *Partnered with Product Development and Marketing team to refresh curtailment offerings to provide efficient investment price signals to encourage participation.*
 - *OPPD will continue to evaluate more advanced rate structures as AMI and other technologies are monitored and implemented.*

SD-2: Rates

Simple and Easy to Understand

- Establish effective and engaging broad communication with customers
 - OPPD Rates remain lower than regional and national averages
- Ensure targeted and specific messaging for individual rate classes and customers using direct messaging and/or conversations about specific rate increase impacts
 - Provided customers more detailed explanations of the drivers of the rate increase
 - Provided customers an opportunity to have conversations with OPPD
 - Explored options through programs and offerings to better serve our customers
- Additionally, the Rate Fundamentals Report was published on OPPD.com in Fall 2023, which serves to provide foundational guidance to stakeholders regarding the rate setting process.

Recommendation

- The Finance Committee has reviewed and accepted this Monitoring Report for SD-2 and recommends that the Board find OPPD to be sufficiently in compliance with Board Policy SD-2.

Any reflections on

**what has been
accomplished, challenges
and/or strategic
implications?**

