



Preliminary 2025 Corporate Operating Plan (COP)

November 19, 2024

Budget Timeline

- **April – September**
 - Internal Revenue Requirement development
- **October**
 - Five-year Forecast Review (Finance Committee)
- **November**
 - Review and collect feedback on the proposed 2025 Preliminary COP
- **December**
 - Final COP at the Finance Pre-Committee meeting on December 6th
 - Final COP at the Board of Directors Committee meeting on December 17th
 - Proposed Board approval at December Board meeting on December 19th

Executive Summary

Strategic Directive 2: Rates

SD-2: Rates states OPPD shall:

- Maintain fair, reasonable and non-discriminatory rates
- Equitably assign costs across and within all customer classes
- Monitor affordability indicators
- Pursue rate process and structure changes to reflect the cost of energy when it is used
- Offer flexibility and options
- Be simple and easy to understand
- Pursue a directional rate target of 10% below the North Central regional average

- As of final 2023 Energy Information Agency (EIA) data, OPPD is 15.8% below regional average and 27.4% below national average
 - Preliminary 2024 EIA data indicates 32.5% below the national average, inclusive of 2024 rate increase of 2.5%

Executive Summary

Assumptions

- **OPPD's Mission:**
 - Provide affordable, reliable and environmentally sensitive energy services to our customer-owners (SD-1)
- **Powering the Future to 2050 (PF2050)**
 - **Perfect Power, Customer Freedom, and a Cleaner World** enabled through a **Digitally Driven, Purpose-Driven Culture, and Future-Ready Posture** mindset
- **2025-2030 Enterprise Priorities** (listed in priority) were established to provide this life essential energy service to our customer-owners
 1. Resource Adequacy
 2. Technology Transformation
 3. Next Generation Grid
 4. Master Facilities Plan

Executive Summary

Strategic Directives

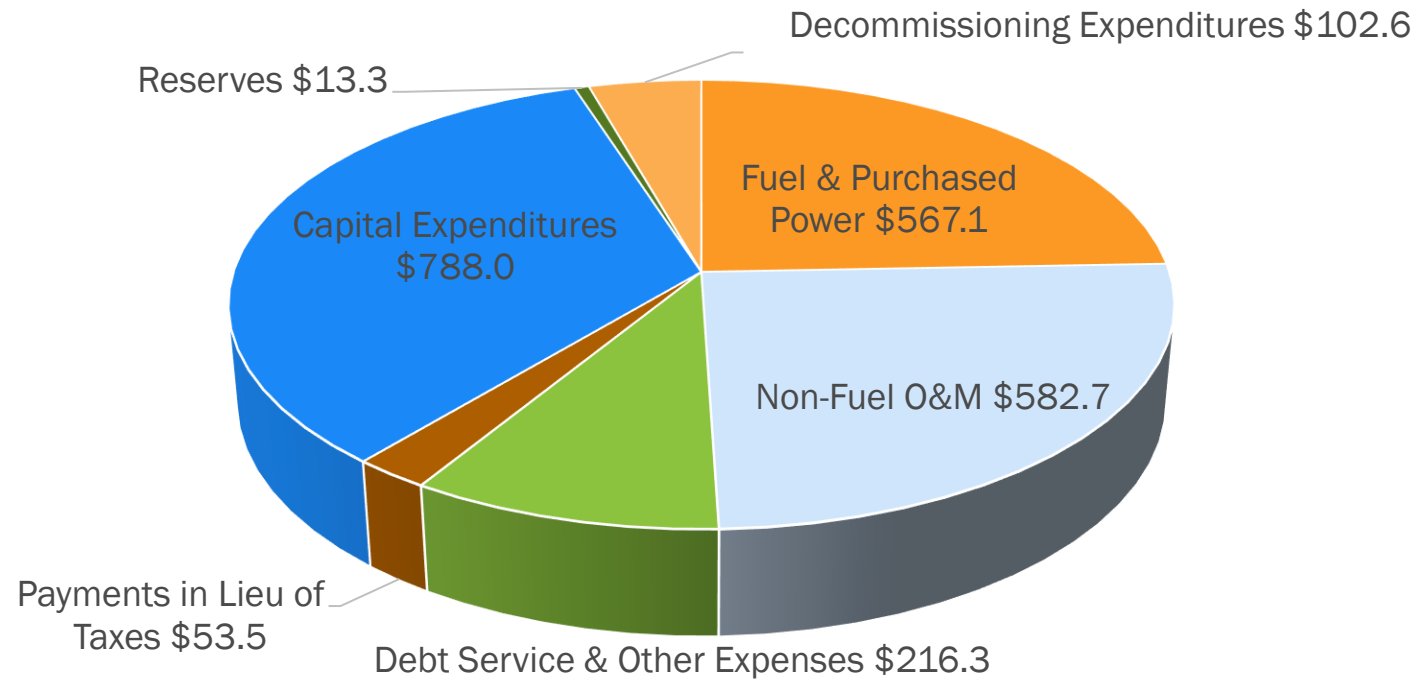
Board Strategic Direction Policies & Strategic Goals

Policy	Measure	Definition	Strategic Goal
Rates (SD-2)	% Below Regional Retail Average	Retail rate target of North Central Regional average published rates on a system average basis.	10%
Access to Credit Markets (SD-3)	Debt Coverage Ratio	Revenues less expenses divided by total annual senior and subordinate lien debt interest and principal payments.	2.0
Reliability (SD-4)	SAIDI	System Average Interruption Duration Index	< 90 mins
	SAIFI	System Average interruption Frequency Index	< 0.9 incidents
	EFOR	Equivalent Forced Outage Rate	< or = 8.0%
Customer Satisfaction (SD-5)	Absolute Satisfaction Score	Customer satisfaction for similar-sized utilities in the region across residential and business customers.	Top quartile
Safety (SD-6)	DART	Days Away, Restricted or Transferred	< or = 0.50
	PVIR	Preventable Vehicle Incident Rate	< or = 4.00
Environmental Stewardship (SD-7)	% Net reduction in CO2e	Strive to achieve net zero carbon equivalent (CO2e) emissions by 2050 relative to OPPD's 2013 benchmark with the following interim targets, 2027-41-51% net reduction. Future interim targets to be informed by and determined following the completion of the 2026 integrated resource plan.	Achieve net zero CO2e by 2050
Employee Relations (SD-8)	Employee Engagement	Composite score of employee engagement	Top quartile

For a full listing of the 15 Strategic Directives, which includes Integrated System Planning (SD-9), Ethics (SD-10), Economic Development (SD-11), Information Management & Security (SD-12), Stakeholder Outreach & Engagement (SD-13), Retirement Plan Funding (SD-14), Enterprise Risk Management (SD-15), please access the following link to the OPPD Board Policy document <https://www.oppd.com/media/317205/oppd-board-policy-binder.pdf>

Executive Summary

- Request for approval of a \$2.3B operating budget for 2025
- 2025 total average rate impact of 6.3%
 - 4.9% general rate increase
 - 1.4% impact from Fuel and Purchased Power Adjustment (FPPA) factor and replenishment of Rate Stabilization Account (RSA) for costs incurred in 2024



2024 Year End – Impact to 2025

Fuel & Purchased Power Adjustment – Rate Stabilization Account

	\$ Millions	% Increase	Primary Driver
Fuel and Purchased Power Adjustment	\$4.8	0.4%	2024 FPPA undercollection, driven by winter storm Gerri, unplanned outages, offset by increased off-system sales
Unanticipated Items			
Winter Storm Gerri	1.6		Payroll and Materials/Supplies
Distribution Expenses	6.5		Storm expenses not reimbursed by FEMA and cable locating
Retail Revenue	5.2		Residential and Commercial under budget due to mild weather, partially offset by Industrial
Replenishment of RSA	\$13.3	1.0%	To meet 2.0 Debt Service Coverage
Total 2025 Rate Impact		1.4%	

Investments to Support Our Mission

Sustain Existing Assets

- Existing infrastructure is aging and will essentially need to rebuild the entire grid
- Focus on system reliability in extreme weather (Gerri)
- Updating Outage Management System, Field Management System and Customer Platform
- Increase in vegetation management

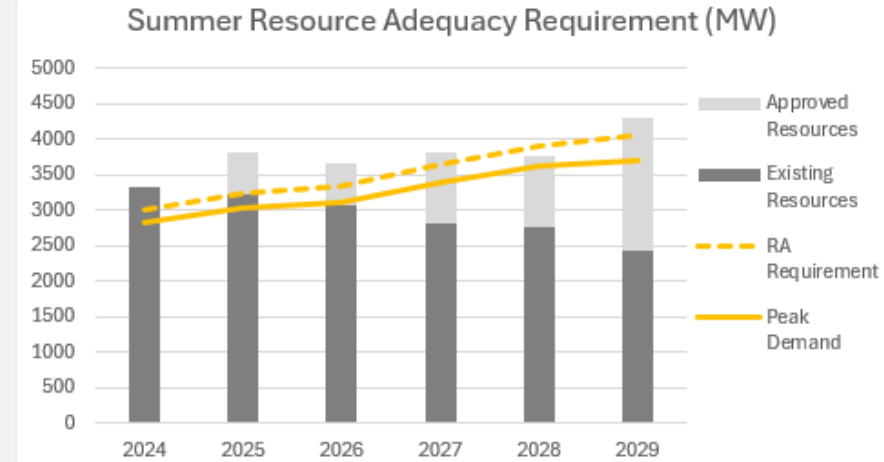
Expand and Transform

- New generation to support additional load growth and increased planning reserve margin:
 - Standing Bear, Turtle Creek and new combustion turbines
- New transmission and distribution for new customers and additional reliability
- ***2025 General Rate Increase 4.9% across all customers***

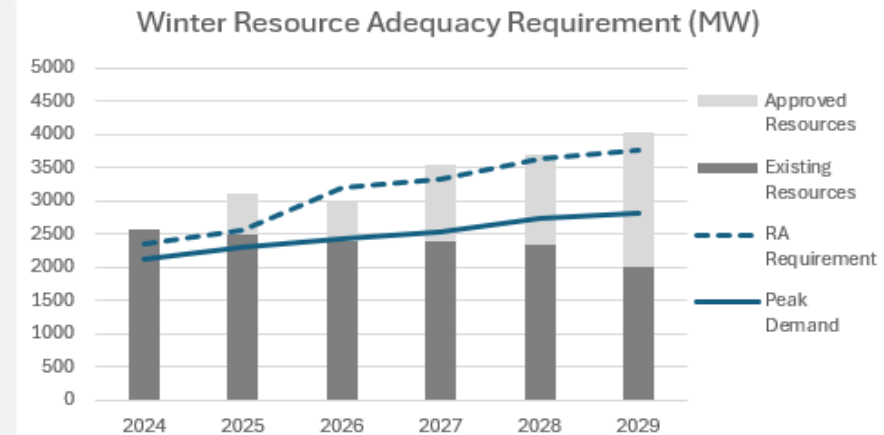
Planning Reserve Margin

- Anticipated increases in regional planning reserve margin requirements are significant and impact existing load as well as future load growth.
 - Summer PRM- 30MW needed to meet PRM in 2026
 - Winter PRM- 500MW needed to meet PRM in 2026
- Successfully meeting future requirements will depend on the timely execution of current resource plans

• Summer PRM is increasing **from 15% to 16%** starting in 2026



• Winter PRM is increasing **from 15% to 36%** starting in 2026/27



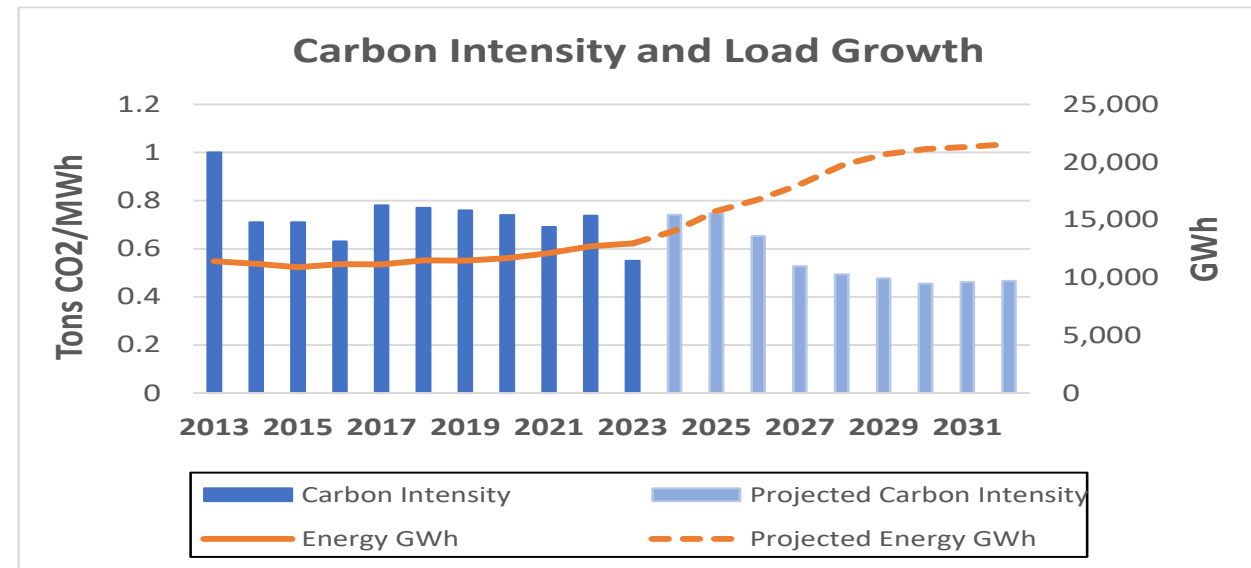
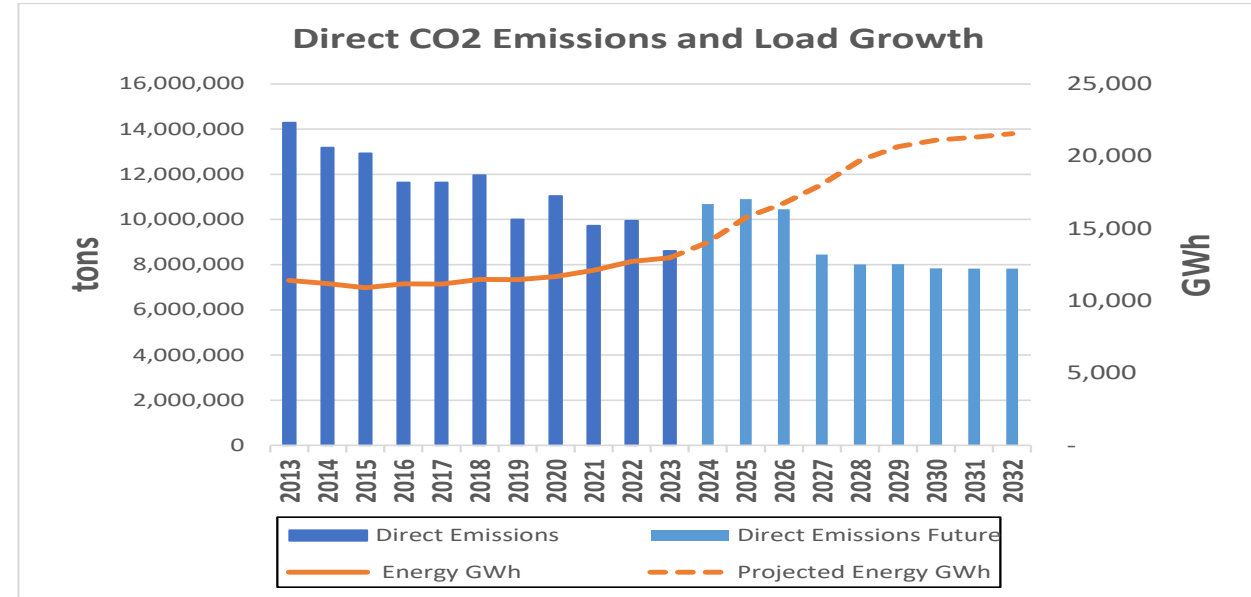
Progress on New Generation Goals

- Complete
- On Track
- Challenged
- Delayed

Resources	Capacity	Status	
Renewable Generation	600MW	●	Complete: Executed High Banks Wind Farm capacity contract
	300MW	●	Complete: Executed Milligan Wind Purchase Power Agreement
	420MW	●	Complete: Pierce County Energy Facility (solar)
	310MW	●	On Track: K Junction development rights; additional project negotiations
Energy Storage	170MW	●	Complete: Pierce County Energy Facility (storage)
	Approx, 125MW	●	On Track: Commenced design feasibility study at North Omaha Station in 2024
Dual Fuel Combustion Turbines	900MW	●	On Track: Equipment contract signed, EPC sourcing underway
Demand Response	Min. of 32MW	●	On Track: Currently obtained 13.2 of 32MW with plans in place to achieve full amount by 2025.
On-Site Fuel Storage	Approx. 320MW	●	On Track: Equipment contract signed, EPC sourcing underway

Environmentally Sensitive

- Projections indicate declining trajectory for direct emissions and carbon intensity while retail load continues to grow.
- **New Renewable Generation:**
 - Platteview Solar (2024)
 - Milligan Wind Facility (2024)
 - High Banks Wind Facility (2024)
 - Pierce County (2027)
- **North Omaha Station**
 - Retirement of units 1, 2, 3
 - Conversion of 4 and 5 from coal to natural gas



Rate Increase Drivers

- **2024 Cost Recovery**
- **Growth in capital portfolio:**
 - Capital portfolio for 2025 requires debt financing
 - Investing \$595 million in projects that grow the asset base as well as transform and modernize the electrical grid
 - Investment in our existing assets, budgeting \$193 million to ensure reliable performance
- **Operations & Maintenance costs increasing:**
 - Increased headcount supporting growth at the utility
 - Investment in vegetation management
 - Historic July storm highlighting need for quicker tree trimming cycles
 - Enterprise priorities, such as Advanced Metering Infrastructure, driving additional O&M expense
 - Cost to serve existing and new load is increasing
 - Partially offset by the pass-through impact of market rate industrial customers
 - In addition to load growth, Southwest Power Pool increasing planning reserve margin adding to need for additional capacity

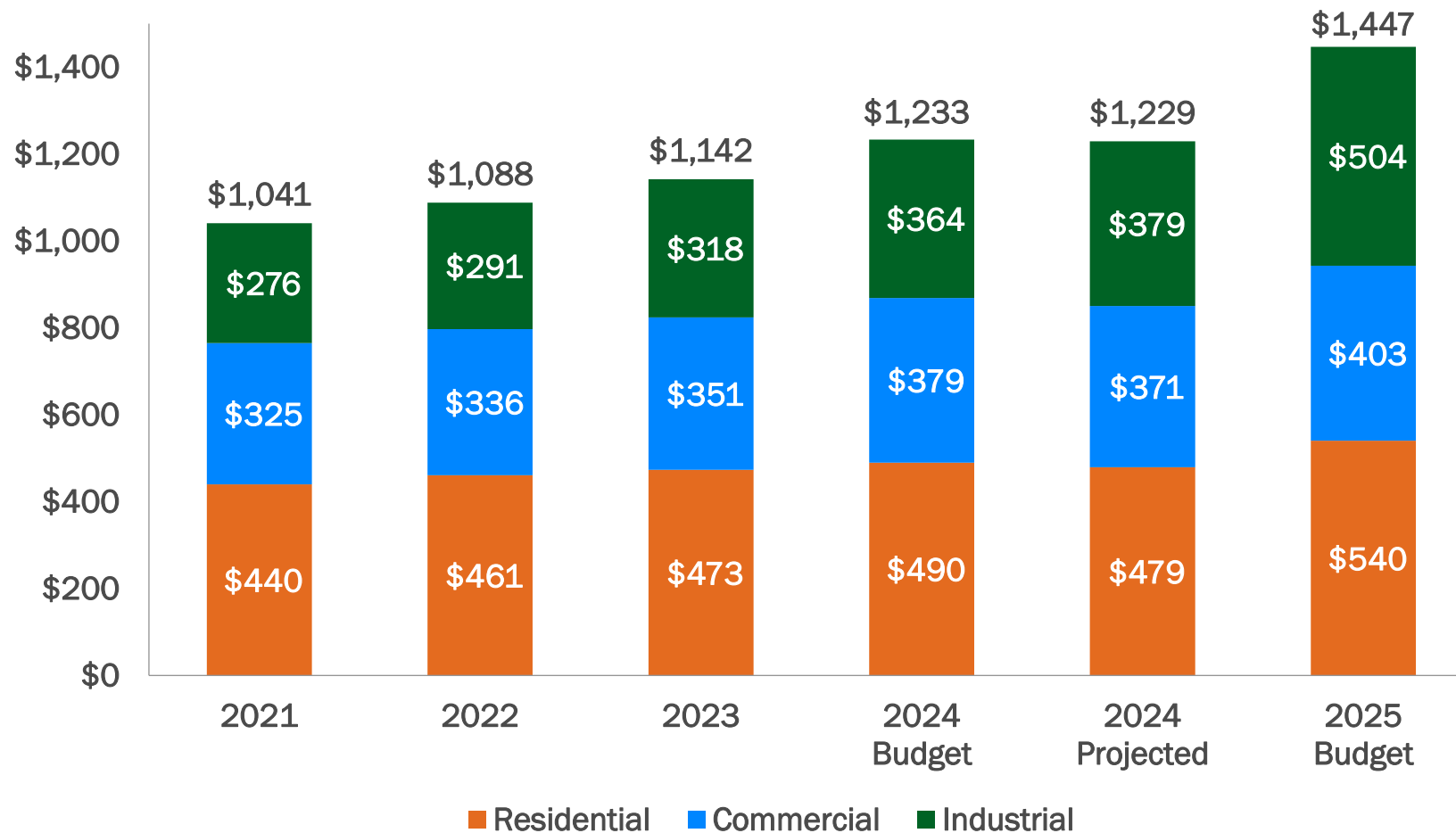


2025 Corporate Operating Plan



Retail Revenue excluding Wholesale Revenues

Customer Class Level - \$ in millions

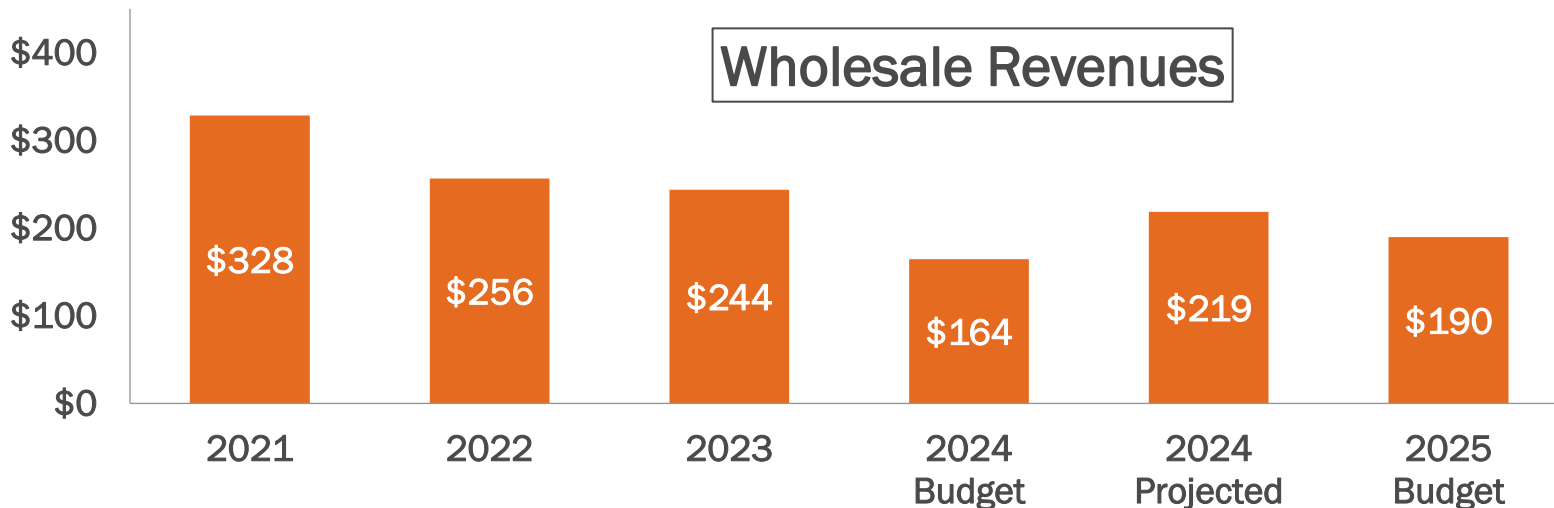
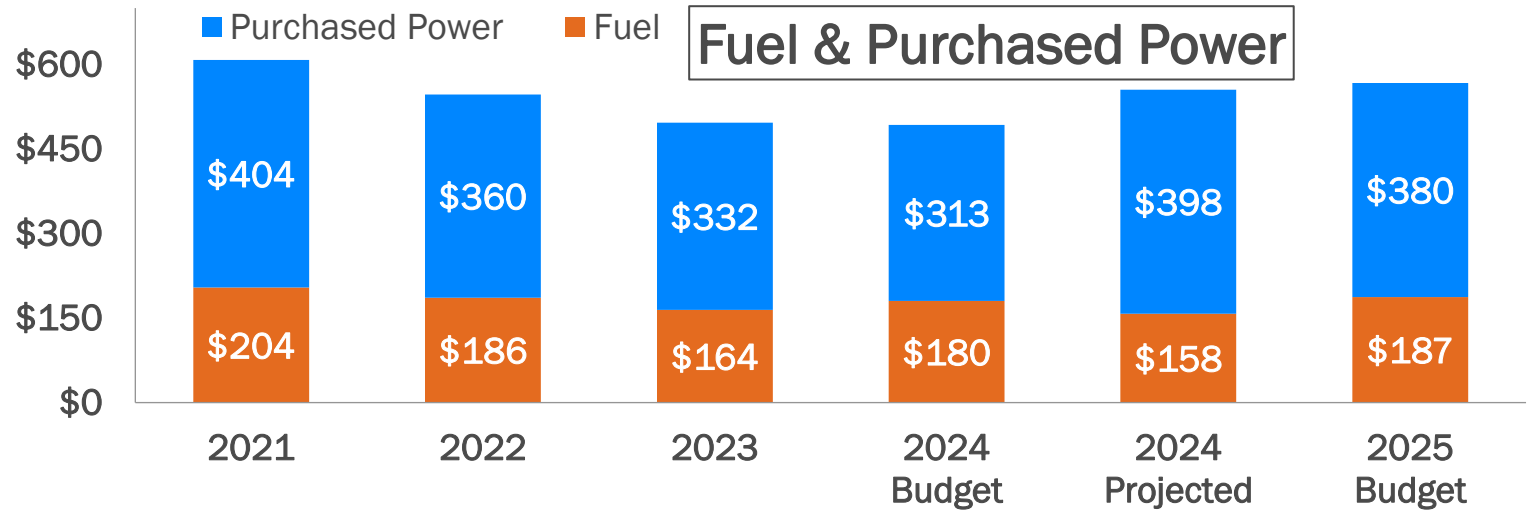


- District is experiencing revenue growth across all customer classes
- Annual revenue growth compared to 2024 budget by class:
 - Industrial = 38.7%
 - Commercial = 6.3%
 - Residential = 10.1%
- Retail revenue growth primarily due to load growth of 12.5% compared to 2024 budget

Excludes activity for Reserve Contributions/Usage, Unbilled, and Fuel and Purchased Power Adjustment

Fuel, Purchased Power and Wholesale Revenues

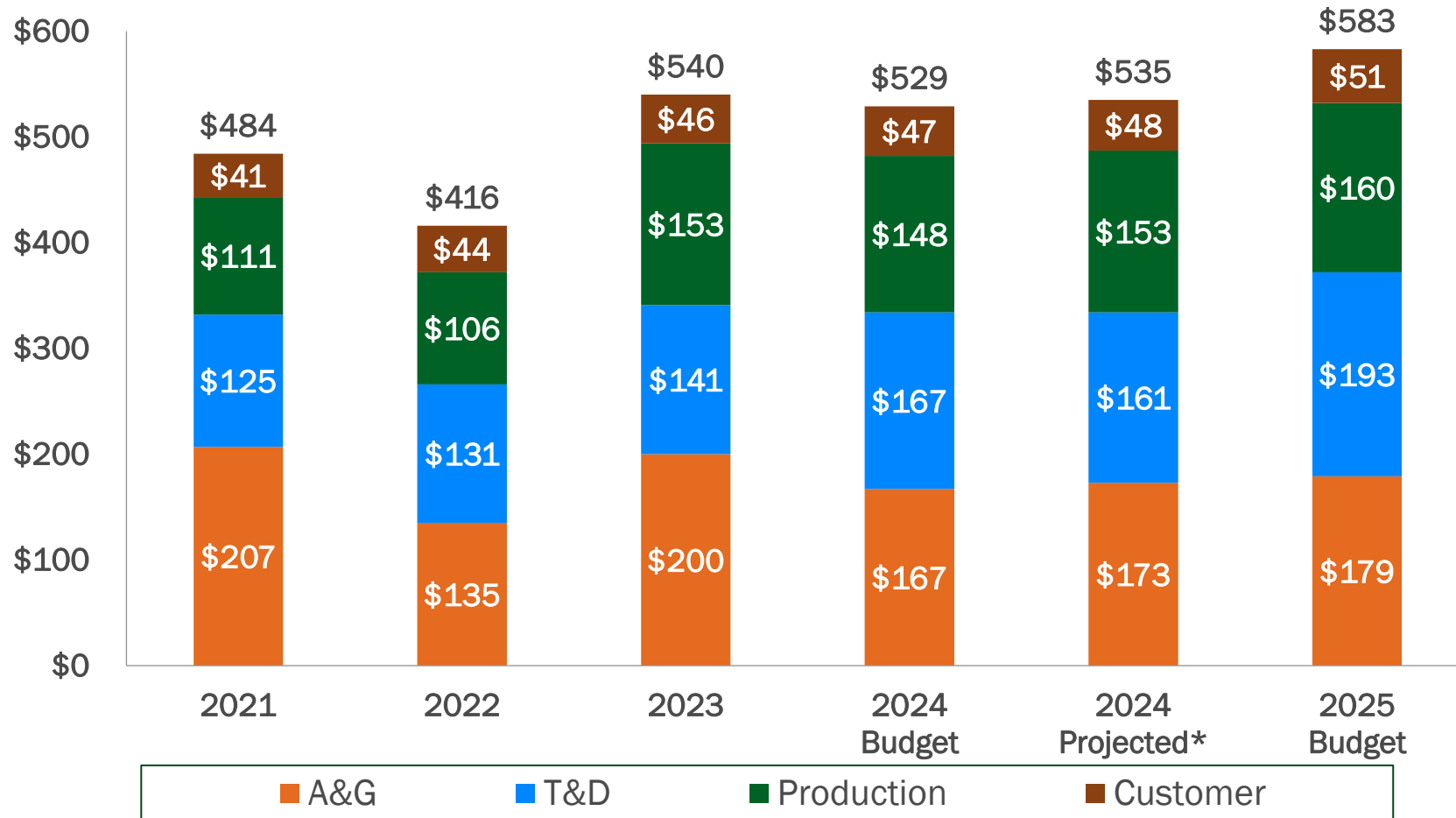
\$ in millions



- Purchased Power volume increasing to meet increasing retail load growth and planning reserve requirements
- Fuel costs increasing driven by a full year of production at Turtle Creek and Standing Bear Lake
- Increased Wholesale Revenue as a result of additional congestion hedging revenue
- As load growth outpaces development of owned generation, the District relies on higher purchased power volumes, driving increased Net Power Costs

Operations & Maintenance Expense (O&M)

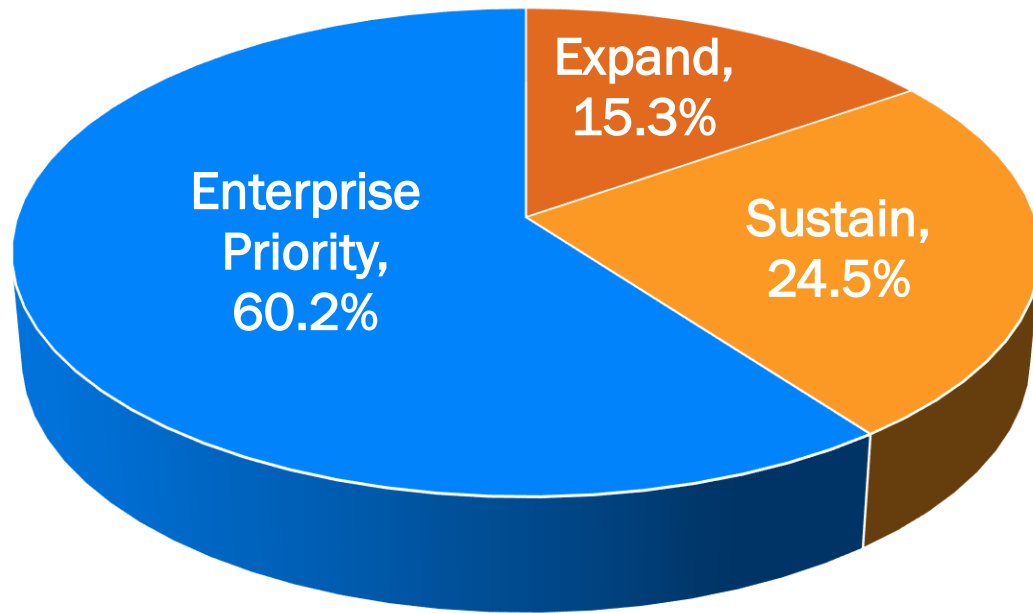
(Excludes Energy Cost and Decommissioning Funding)



- Labor costs and benefits increasing due to increased headcount to support growth at the utility
- Approximately \$10 million invested in transformational priorities such as Resource Adequacy and Advanced Metering Infrastructure
- Additional investment of approximately \$12 million for vegetation management

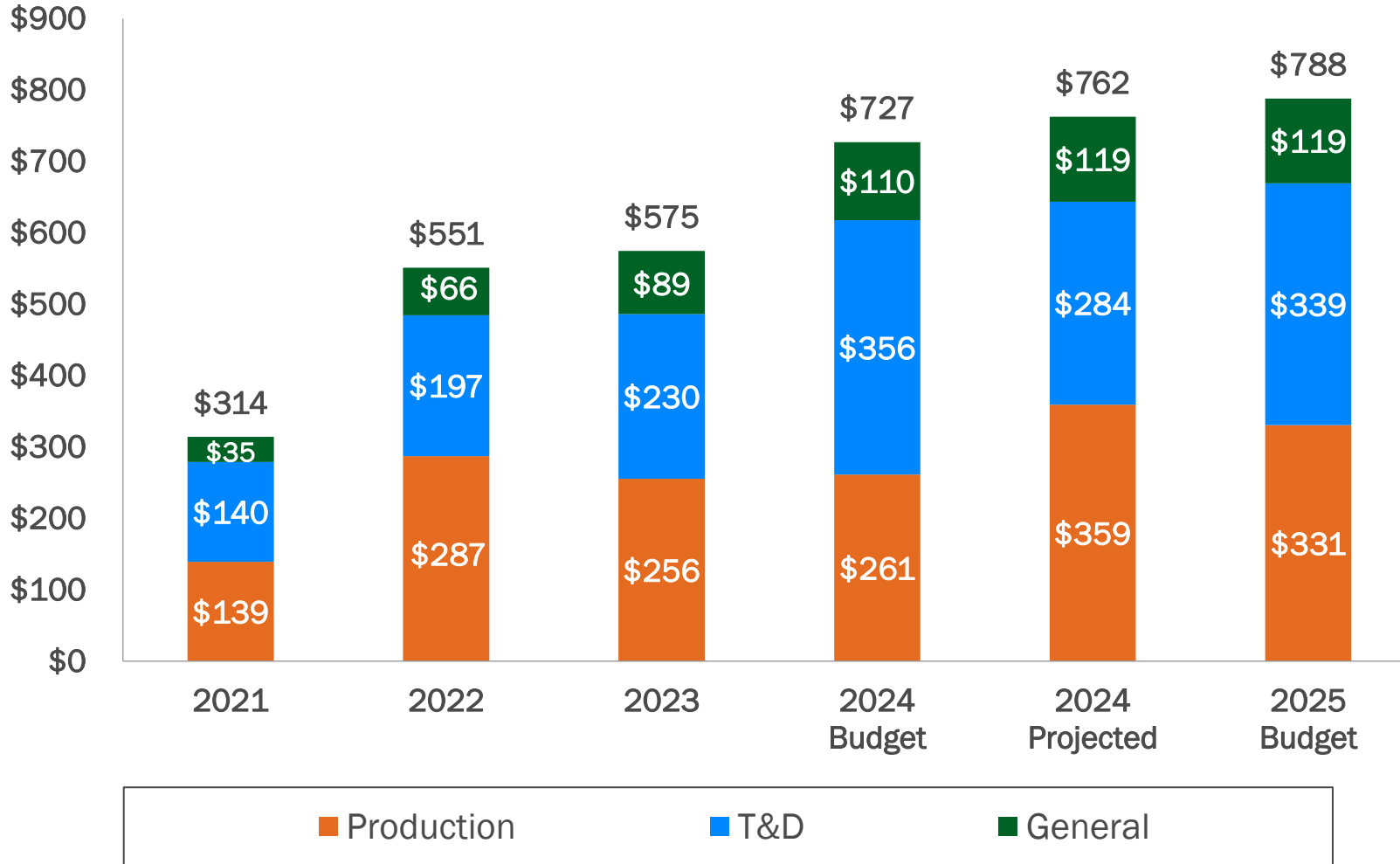
* Excludes storm costs with anticipated reimbursement from federal or local agencies

Capital Expenditures Philosophy



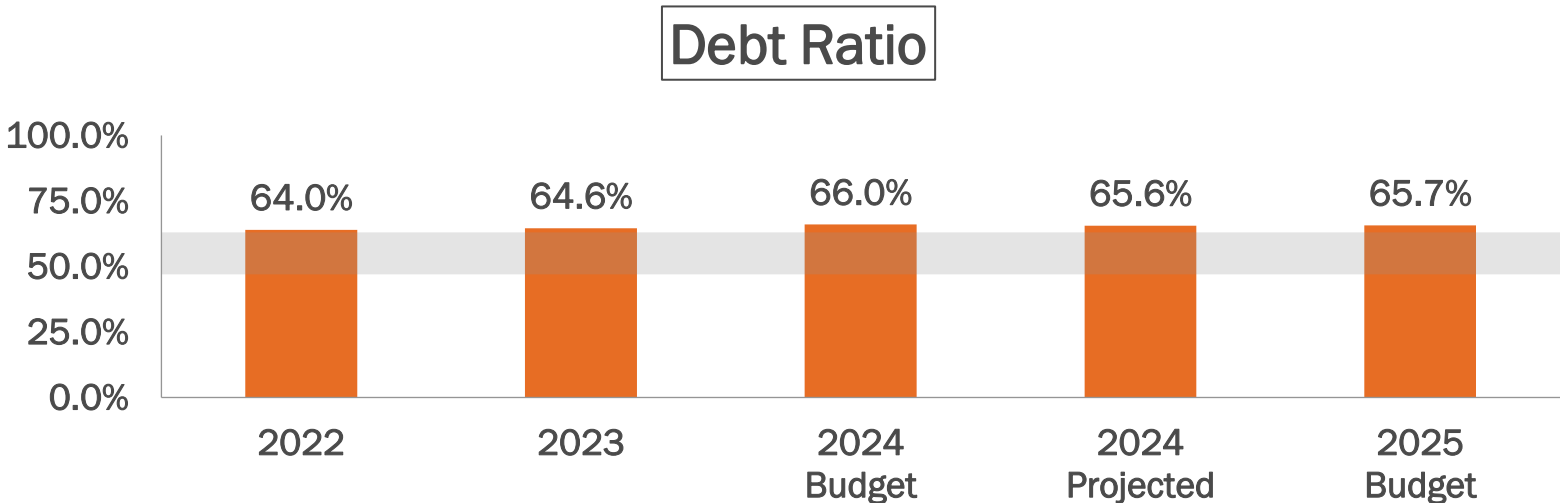
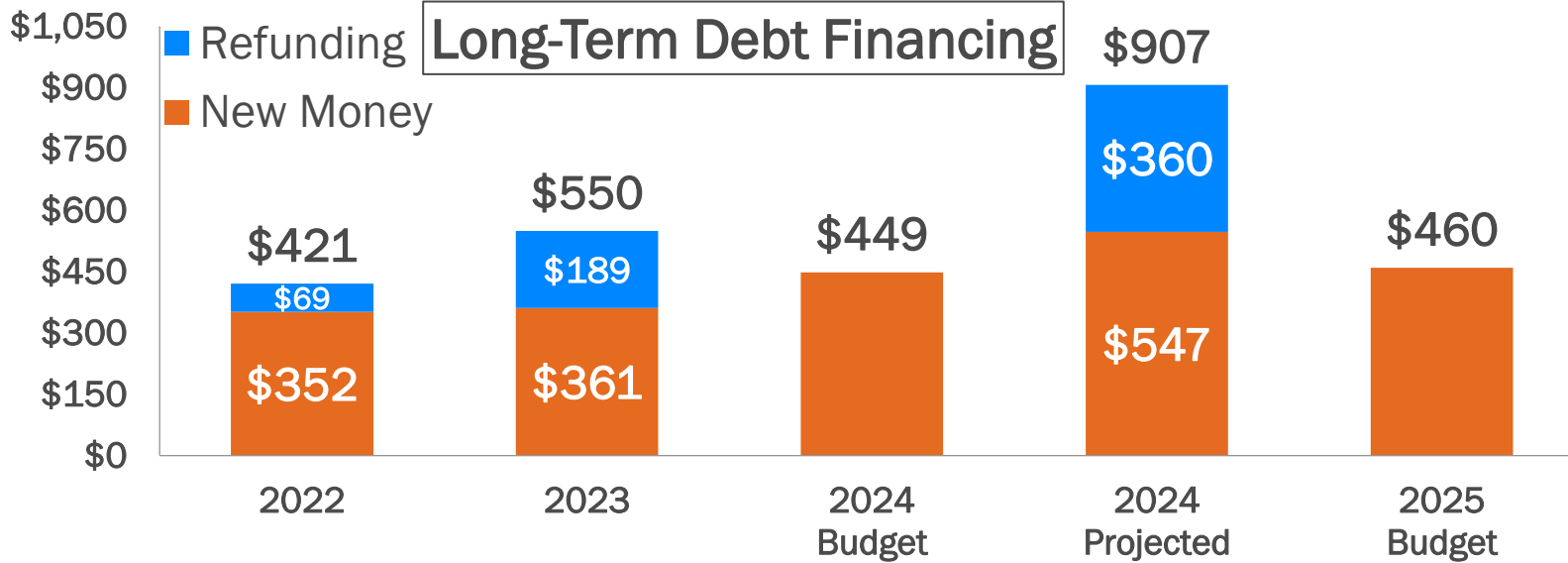
- **Sustain, Expand and Enterprise Priority** investment categories are used to calibrate the 2025 Capital Expenditures budget
- **Sustain** category includes capital projects aimed at maintaining and improving existing assets
 - \$193.3 million or 24.5% of the 2025 total Capital Budget
- **Expand** category is for new assets planned to be added to the District’s asset base
 - \$120.7 million or 15.3% of the 2025 total Capital Budget
- **Enterprise Priority** category includes capital projects that represent investments in the District’s strategic priorities
 - \$474.1 million or 60.2% of the 2025 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 expansion

Capital Expenditures



- Production largely comprised of new generation projects such as the completion of Turtle Creek and Standing Bear Lake as well as four additional combustion turbines at Turtle Creek and Cass County
- T&D consists of investments to support new generation and load growth while continuing to improve and replace aging assets to maintain grid reliability and resiliency
- Investments in Advanced Metering Infrastructure make up over 50% of the General category

Long-Term Debt Financing and Debt Ratio*



- Growing capital portfolio is driving debt issuances
- Proceeds from the debt issuances ensure appropriate liquidity and days cash on hand
- SD-3 metrics partnered with cash management is a determining factor in debt financing. 2024 cash levels maintain the District's position in the AA rated peer group for days cash on hand
- Debt ratio is currently above S&P's range of 50% to 60% for a Very Strong AA rated utility

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

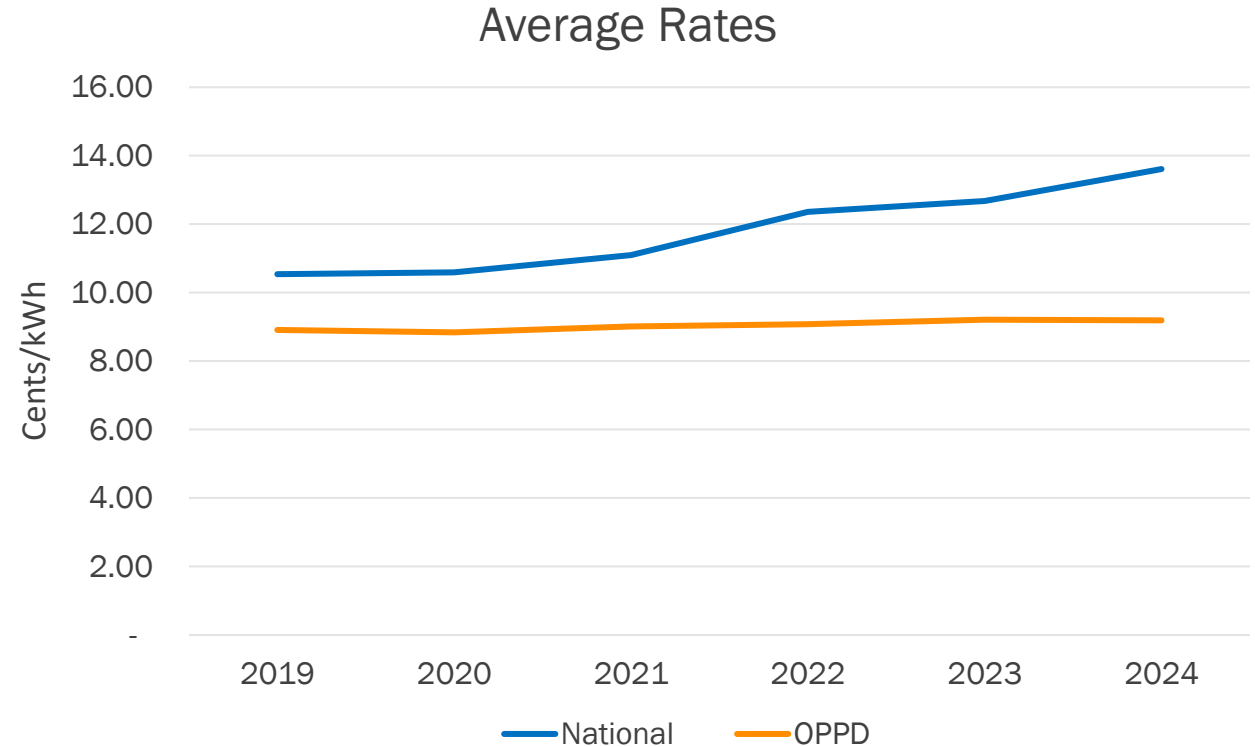


2025 Rate Action



OPPD Competitive Rates

- OPPD rates have been gaining a competitive edge against the national average
- As of 2023, OPPD’s average retail rate was 27.4% below the national average and 2024 preliminary numbers indicate 32.5% below the national average
- OPPD’s rate increase of 6.3% will ensure that we maintain competitive rates while also supporting the overall health of our operations.

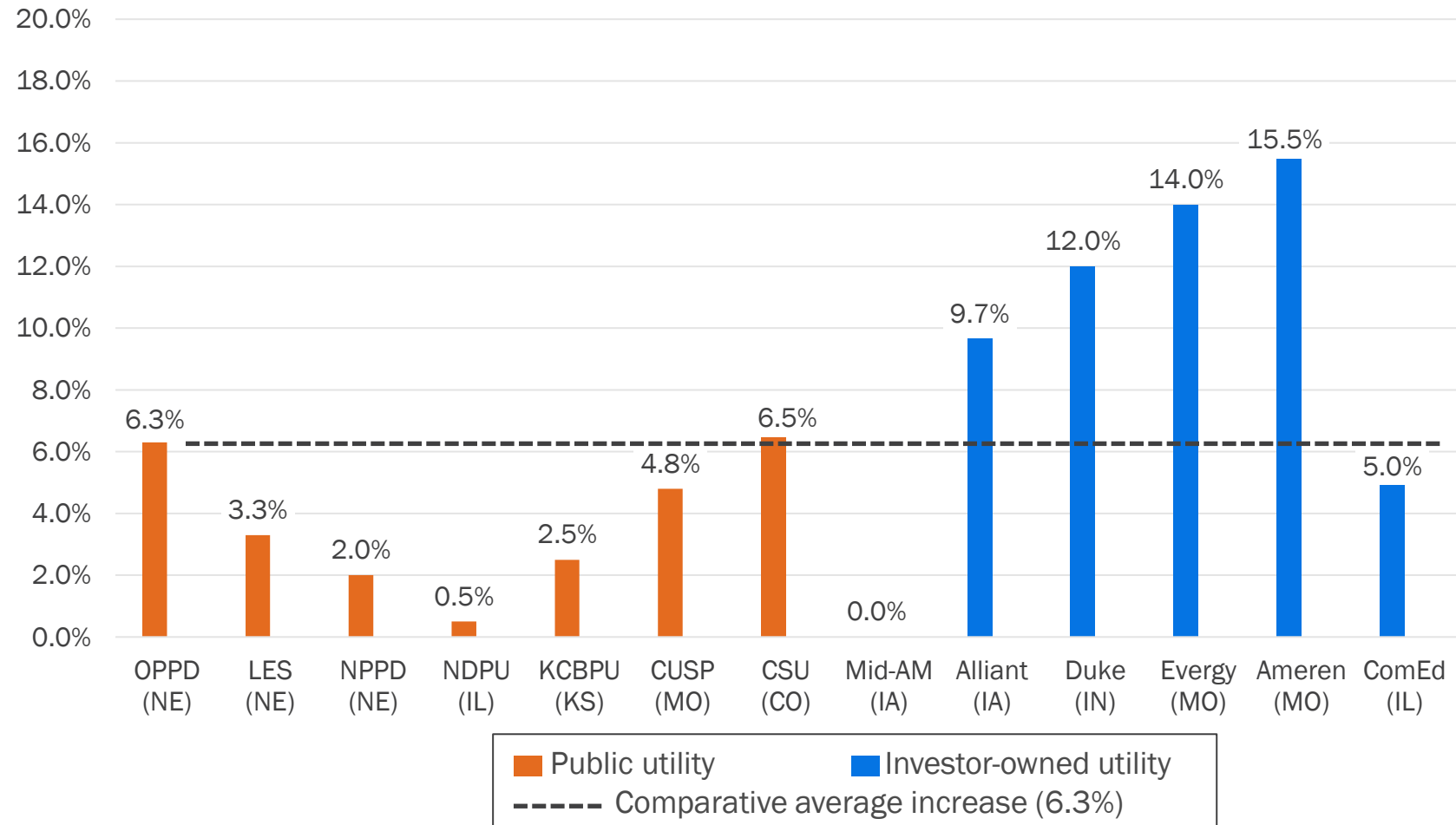


	2019	2020	2021	2022	2023	2024*
National	10.54	10.59	11.10	12.36	12.68	13.61
OPPD	8.91	8.84	9.01	9.08	9.21	9.19
Difference (%)	(15.5%)	(16.5%)	(18.8%)	(26.5%)	(27.4%)	(32.5%)

OPPD Preview of Rate Action vs Industry Trends

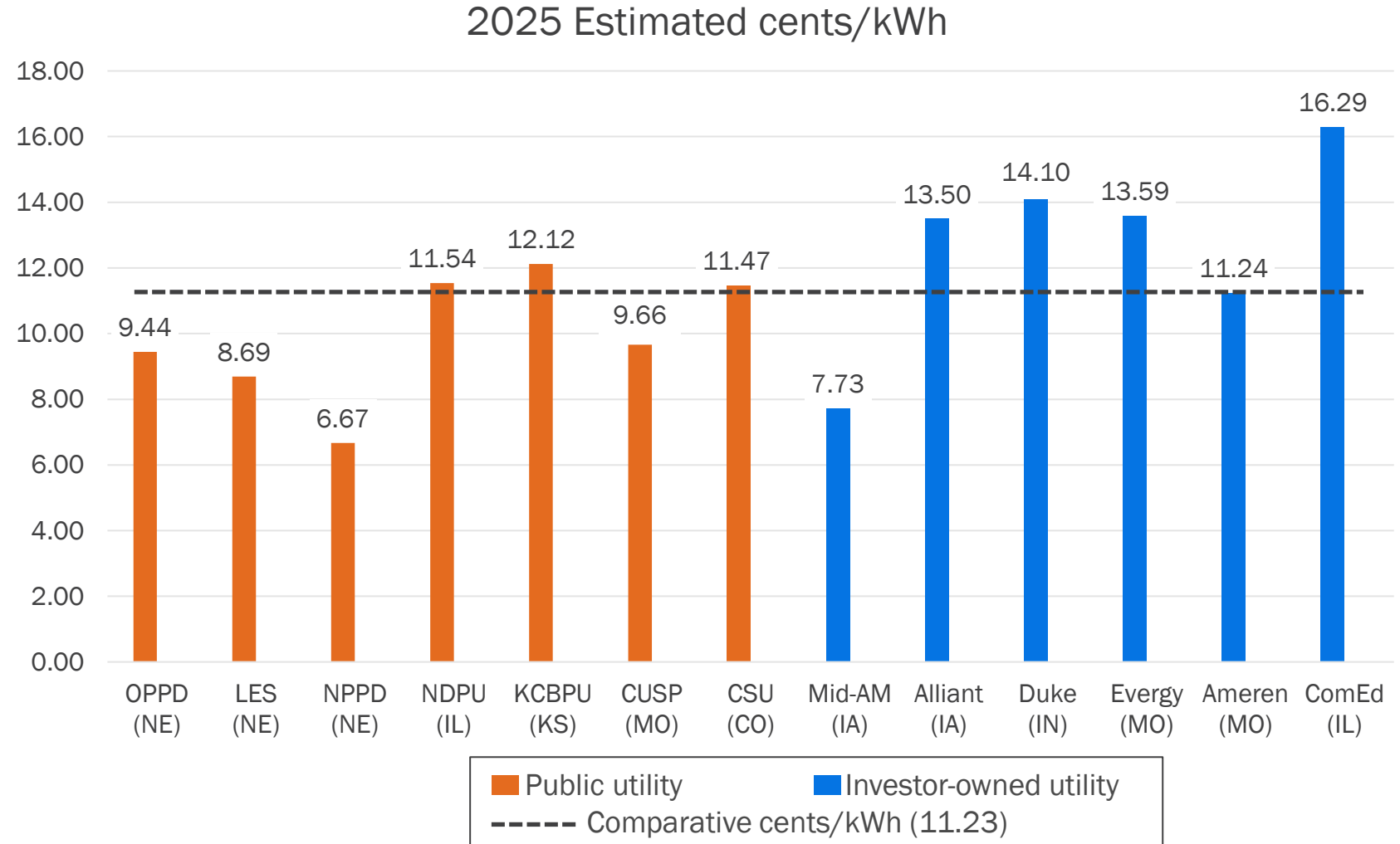
- For 2025, total average rate impact is 6.3% across all customers classes
- Rate Increase Factors:
 - Grid Modernization
 - Grid Strengthening
 - Generation Capacity Increases
 - Renewable Energy Investments
 - Environmental Compliance
 - Interest Rate Increases
 - Customer Increases
 - Purchased Power Cost Increases

2025 Proposed Retail Rate Increases Among Utilities



OPPD Preview of Rate Action vs Industry Trends

- For 2025, OPPD's estimated cents/kwh is 9.44
- Even with large investments in our current and new assets, while digitally transforming, we expect our rates will remain competitive from a cents/kWh basis



Information obtained from publicly available sources

2025 Rate Action

Summary

Rate Component	Change
General Rate	4.9%
2024 FPPA Under-Collection	0.4%
2024 Usage of Rate Stabilization Account *	1.0%
Total 2025 Increase	6.3%

* Amount needed through September to meet 2.0 at year end. To be replenished in 2025

- Rate Action Summary:
 - General Rate Increase driven by growing capital portfolio and O&M to improve reliability, customer focused technologies and meet growing customer base
 - 2024 FPPA undercollected amount to be collected in 2025
 - FPPA factor increase from \$0.00413 to \$0.00457 per kwh
 - Due to winter storm Gerri and unplanned outages partially off-set by increased Off-System Sales due to congestion hedging
 - Usage of Rate Stabilization Account needed to meet 2.0 Debt Service Coverage in 2024 driven by outages and unrecoverable storm costs

COSTS TO SERVE OPPD CUSTOMERS



Energy Generation Costs

Costs related to energy usage including fuel for generation, plus any power purchased from the market.



Demand Generation Costs

Costs related to construction, operation and maintenance of energy generating resources like wind, solar, natural gas, hydro- and coal-fueled plants.



Transmission Costs

Costs related to construction, operation and maintenance of assets for electricity delivery from generation resources to the transmission system (high-voltage transmission lines, poles, transformers, substations and communication sites).



Distribution Costs

Costs related to construction, operation and maintenance of assets that convert high-voltage electricity to 220 volts for direct distribution to OPPD customers (power lines, poles, transformers, substations and other assets).



Customer Costs

Costs related to customer service, billing, collections, metering, and data management that do not vary with energy or demand needs.

Investments allocated to **All Customers** based on their utilization of the system

- Investments in New and Existing Generation and Transmission
- Additional headcount within the organization to support the new assets and increased core work

Investments primarily allocated to **Residential and Small Commercial Customers**

- Outage Management System
- Field Management System
- Customer Platform
- Vegetation Management (tree trimming)

2025 Rate Changes

Proposed Percent Increase by Customer Class

Proposed Percent Increase by Customer Class						
	Residential	Commercial	Industrial	Lighting	Wholesale	Total
Proposed General Increase	8.0%	4.1%	5.1%	8.0%	8.0%	5.9%
Proposed FPPA Increase	0.4%	0.5%	0.3%	0.1%	0.6%	0.4%
Total Rate Action	8.4%	4.6%	5.4%	8.1%	8.6%	6.3%

*The percentages represent class averages. Rate codes within a class will have difference from the average increase. Individual customer impacts will vary.

- All the details regarding rate changes are presented in the red-lined version of the Service Regulations and Schedules

2025 Rate Changes

Other Rate Items

- New Rates for LED Private Outdoor Lighting (Rate 236)
- Changes to General – Customer Service Charges, Schedule No. 470
 - Increase in Tenant Attachment Fee, 470I
- Retirement of Riders due to Shift to Product Programs:
 - Rider 480 – Residential Surge Guard
 - Rider 481 – Commercial Surge Guard
- Retirement of Riders due to Lack of Customer Use:
 - Rider 490 – Economic Development
 - Rider 499 – Green Sponsorship
- Preparation of Retirement of Riders:
 - Riders 467 & 467H, 467E & 467V, and 467L
 - Unavailable to New Customers

Board Consultant Rate Review Process

- Three review sessions around the Cost-of-Service Study (COSS) for 2025
 - Supportive of overall approach in proposal of rate increases
 - Supportive that proposed changes are fair, reasonable and non-discriminatory
 - Supportive of methods utilized to ensure rate stability and mitigation of impacts on customers
- Continuous year-round partnership around COSS modeling best practices include:
 - Ensuring precision of method relating to planning and facility operation
 - Ensuring the accuracy of the method related to cost causation
 - Assessing the ability of the method to recognize customer class distinctions
 - Assessing the accuracy of the method in producing consistent results
 - Reviewing the modernity of the method to reflect best practices across the industry

Board Consultant Budget Review Process

- Virtual Half Day Reviews held September 27th, October 7th & 8th
- AMI Initiative Presentation held on October 15th
- Customer Usage Forecasts / Methodology
 - Revenue Forecasts
 - Resource Planning
 - Generation Plan / Scheduling
 - Fuel Budget
 - Operations & Maintenance Expense Budget
 - Fort Calhoun Station Decommissioning
 - Capital Expenditure Plan
 - Preliminary review complete, final report expected in December

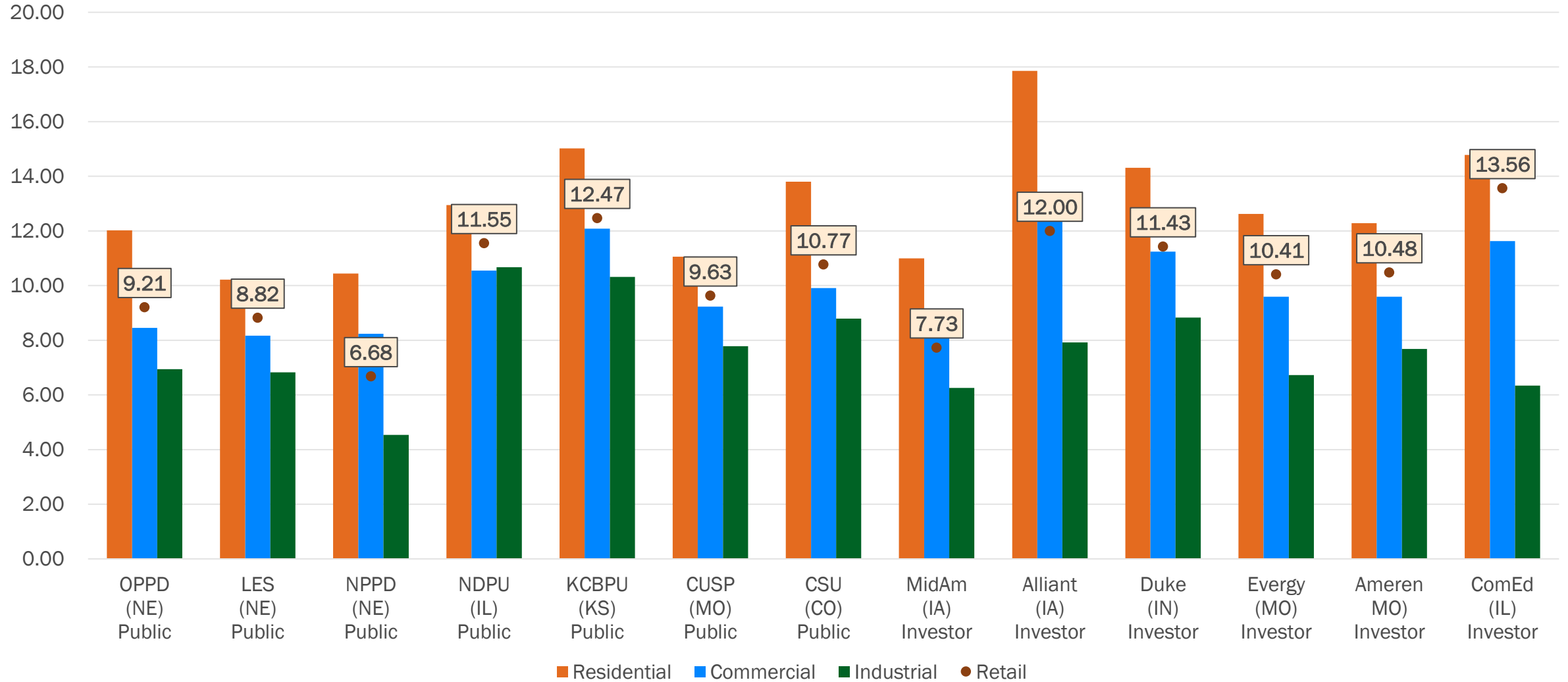
Questions?



Appendix



2023 Average Cents/kWh by Customer Class



Information obtained from publicly available sources

DRAFT communication approach

Key themes/messages

- An increase to a monthly bill for an essential service like electricity can be challenging, especially as we navigate increased costs in many other areas of our lives.
- Just as in our personal lives, the costs to operate our utility have also risen, and we need to raise customer rates in 2025.
- Raising rates is not a decision we make lightly. However, it's one we are compelled to make to keep your power safe, reliable, affordable and sustainable in a rapidly changing world.
- Some of the changes we're experiencing are exciting, allowing our customers and communities to grow, thrive and improve.
 - *Load growth leading to more generation and infrastructure to support increased reliability as our communities grow.*
 - *Improved customer communication tools (outage map, customer platform) help us better understand and communicate with you how and when you prefer.*
- Other changes are more challenging and less predictable, meaning what's worked in the past no longer works for today—or for tomorrow.
- *Increasingly unpredictable and severe weather and aging equipment and infrastructure mean more investments than before to keep your power reliable when you need it most.*
- As your not-for-profit public power electric utility, keeping your power safe, reliable and affordable today and tomorrow is at the heart of everything we do.
 - *We're increasing investments in vegetation management, updated infrastructure and modern communication tools to keep your power reliable and keep you in the know, however you prefer.*
- We want to navigate this impact together, and we have resources and programs to help.
- We are grateful for the privilege to serve you and every community in our 13-county service area, and we're grateful for your continued support as we power our communities together.

Timeline

November

- **Nov. 8.** Finance Pre-Committee meeting
- **Nov. 11** Customer and Public Engagement Pre-Committee meeting
- **Nov. 15.** Initial educational materials finalized
- **Nov. 18-19.** Employee communication begins
- **Nov. 19.** All-Committee meeting
- **Nov. 19.** Wire story published; poised for media inquiries
- **Nov. 21.** Board meeting
- **Nov. 21-Dec. 21.** Draft corporate operation plan (COP) posted to OPPD Community Connect for comment period

December-January

- **Nov. 21-Dec. 21.** COP posted to OPPD Community Connect for comment period
- **Nov. 21-Jan. 31** Customer education campaign continues
- **Dec. 17.** All-Committee meeting; review customer feedback
- **Dec. 19** Board meeting
- and COP vote; news release, Wire story and media support to follow
- **Dec. 20-Jan. 2025.** Targeted customer communications with impact estimate on bill.
- **Dec. 19-Q1 2025.** Speakers Bureau and community outreach engagement