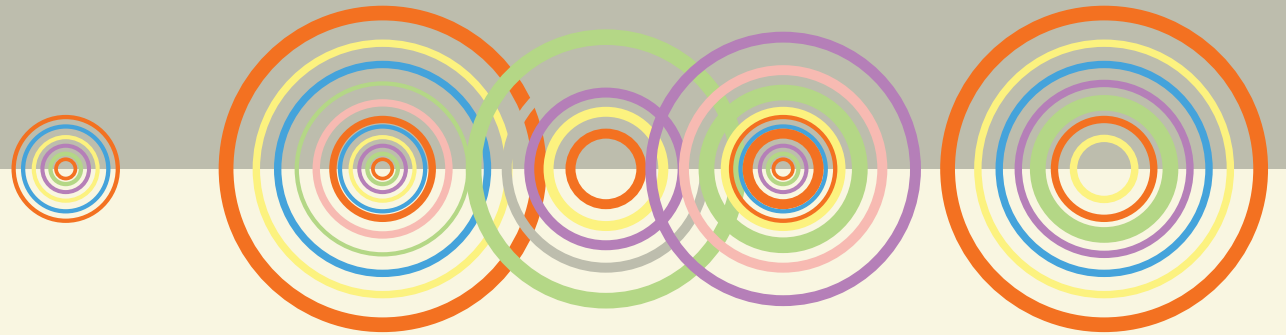


ELIMINATION OF THE DECLINING BLOCK RATES AND ENERGY MANAGEMENT CREDIT

➤ 06.17.25 ➤

Bradley R. Underwood
Vice President and Chief Financial Officer



Omaha Public Power District

HISTORY OF DECLINING BLOCKS



- In the 1950s and 60s, declining block rates (DBR's) were a dominant feature of residential tariffs in the US.
- They were intended to incentivize electrification of homes and businesses by offering lower per-kWh prices for higher usage.
- This pricing strategy was driven by the belief that electricity costs would continue to fall as technology improved and economies of scale were realized.
- While DBR's are still used in some regions, they are less prevalent than in the past.
- DBR's can inadvertently lead to increased energy consumption, which is undesirable in a time of rising energy costs and conservation efforts.
- DBR's disproportionately benefit high-consumption customers, potentially making the overall system less equitable.

RATIONAL FOR REMOVAL



- Historically, market energy prices were most volatile during the summer months.
- As the mix of generation in SPP has evolved, we now experience large swings in energy prices year-round.
 - **Over the last 3 years, 55% of the 100 highest priced hours occurred in the non-summer months.**
- Upcoming changes to the Planning Reserve Margin in the Southwest Power Pool are removing much of the distinction between the summer and winter months for capacity planning.
- Declining block rates send the message that higher usage by customers can be served at a lower cost to OPPD, a dynamic that no longer holds true.
- In April 2024, The Brattle Group reviewed OPPD's existing rate design for all customer classes relative to rate design best principles and recommended updates to bring OPPD's rate in line with industry standard.
 - **Block rates served their purpose during a different energy era and should be eliminated in favor of flat or preferably time-based rates.**

BILL IMPACT OVERVIEW



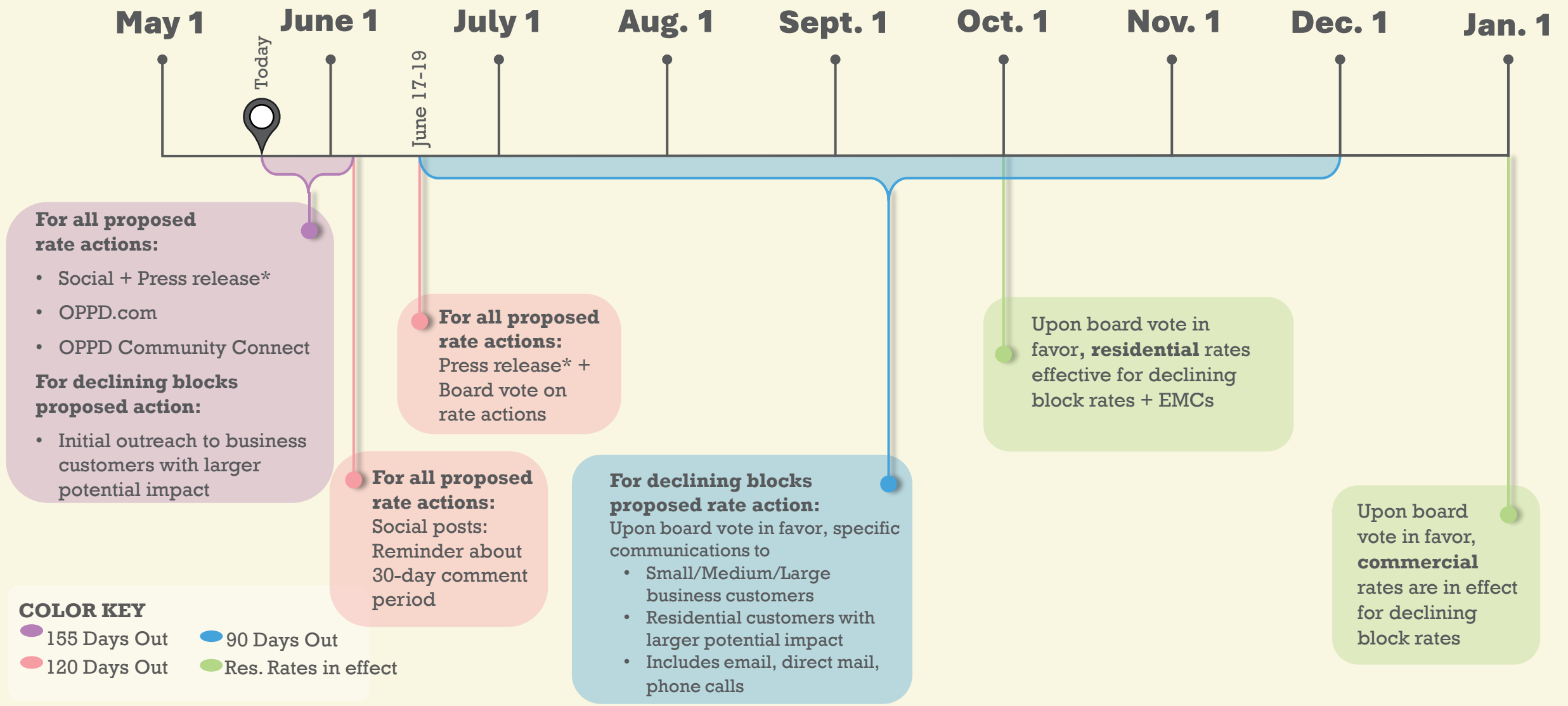
- Highest usage customers experience bill increases, low and average usage customers see bill decreases
- Residential
 - **66% of customers see a bill decrease**
 - **89% of customers see a bill change that is within 1% of their current bill**
 - **95% of customers see a bill change that is within 3% of their current bill**
 - **Only 1,500 customers (0.4% of total residential customer base) see a bill increase over 5%**
- Commercial
 - **89% of customers see a bill decrease**
 - **32% of customers see a bill change that is within 1% of their current bill**
 - **Only 400 customers (0.8% of total commercial customer base) see a bill increase over 5%**

ENERGY MANAGEMENT CREDIT



- Brattle also recommends eliminating the Energy Management Credit (EMC)
 - **This change will also necessitate lowering the minimum bill amount**
- Rates 110 and 115 currently have an EMC: *“A credit of \$2.07 per month will be applied to summer monthly kWh consumption of more than 100 kWh and less than 401 kWh.”*
 - **Credit has been in place since at least 1991**
 - **Raised from \$2.00 to \$2.07 effective January 2004; unchanged since then**
 - **No information available on how the \$2.07 credit amount was calculated, no cost of service justification**
- EMC credits are approximately \$310,000 annually (0.07% of \$477MM residential revenue)
 - **70,000 customers / 19% of total received at least 1 credit**

DECLINING BLOCK REMOVAL CUSTOMER OUTREACH



CUSTOMER FEEDBACK

Feedback on Removing Declining Block Rates and Energy Management Credits

Themes

- Not a lot of interest in the topic, very little engagement
- Customers appreciated the information for budgeting
- Some wanted more information
- Some were concerned about the increase in their bill
- Comment about wind and solar energy

Sentiment

- Mixed sentiment, concern over encouraging customers to go all electric
- Most are understanding but want more information
- Bills increasing has negative sentiments

30-Day Comment Period Breakdown

- 0 OPPDCommunityConnect (5/13-6/2)
- 3 OPPDCommunityConnect (6/3-6/15)
- 7 Social Media (5/13-6/2)
- 13 Social Media (6/3-6/15)
- 5 Small/Medium Commercial & Industrial (5/13-6/2)
- 1 Small/Medium Commercial & Industrial (5/13-6/2)
- 0 Board, Customer Care, Media Contacts and Large Commercial & Industrial

» **APPENDIX**

BILL IMPACT SUMMARY



| | Residential | Residential | Commercial | Commercial |
|---|-------------|-------------|------------|------------|
| | 110 | 115 | 230 | 231 |
| Percent of Customers who | 325,000 | 45,000 | 42,000 | 7,500 |
| will see... | Customers | Customers | Customers | Customers |
| Bill Decrease 0% - 1% | 66.0% | 7.6% | 32.0% | 10.6% |
| Bill Decrease 1% - 3% | 0.1% | 29.0% | 58.2% | 64.7% |
| Bill Decrease Over 3% | 0.0% | 32.8% | 0.1% | 3.7% |
| Total With Bill Decrease | 66.1% | 69.4% | 90.3% | 79.0% |
| Bill Increase 0% - 1% | 33.3% | 7.0% | 2.8% | 6.5% |
| Bill Increase 1% - 3% | 0.6% | 12.3% | 4.4% | 9.2% |
| Bill Increase 3% - 5% | 0.0% | 8.3% | 1.9% | 3.8% |
| Bill Increase Over 5% | 0.0% | 3.0% | 0.6% | 1.5% |
| Total With Bill Increase | 33.9% | 30.6% | 9.7% | 21.0% |
| <p>NOTE: More customers see a PERCENT bill decrease versus increase because this change generally benefits low and average users and is unfavorable to high users. The total DOLLAR change in bills is the same for those with decreases as it for those with increases.</p> | | | | |

