

# 2019 Corporate Operating Plan



*your energy partner<sup>®</sup>*  
**OPPD**  
Omaha Public Power District



# ***2019 CORPORATE OPERATING PLAN***



**2019  
CORPORATE OPERATING PLAN  
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# **MANAGEMENT LETTER**





## 2019 CORPORATE OPERATING PLAN MANAGEMENT LETTER

Staying ahead of the fast-changing utility industry remains a priority for Omaha Public Power District. To guide us, our 10-year strategic plan aligns to support 15 strategic direction Board policies and facilitates resource prioritization to serve the needs of our customer-owners. We developed strategic initiatives with input from customers, employees and other stakeholders, and we regularly review our plan and adjust, as needed.

By embracing innovation, we have challenged our employees to find new and better ways to serve customers. Our commitment to have no general rate increase for five years – through 2021 – provides a key piece of inspiration. Several successes in 2018 put the utility and customers in a good position for 2019.

- OPPD plans to transition to a faster, more economical method to complete the decommissioning process of its nuclear plant, thanks to strong, smart efforts by employees doing the work. The DECON method would potentially save \$200 million long-term and reduce the risk overall.
- OPPD continues to rank in the top quartile nationally for system reliability because of numerous programs and initiatives. Three of our generating units had impressive continuous runs. Three major transmission projects taking shape will further improve reliability, as well as help spur economic development, which has brought in \$1.4 billion in project investment since January 2017.
- The utility will save communities and taxpayers about 25 percent on streetlight costs with its five-year LED conversion project. OPPD's nearly 300 streetlight customers across southeast Nebraska – from small communities to the Nebraska Department of Transportation – should expect to cut their streetlight energy use in half.

Our 2019 Corporate Operating Plan (COP) shows OPPD's commitment to renewable energy continues to grow, with both wind and solar projects coming online in 2019. Sholes Wind Energy Center will add 160 megawatts (MW) of wind energy to OPPD's portfolio, bringing OPPD's retail sales from renewables to about 40 percent. A community solar project will provide 5 MW when operational in summer 2019 through a 20-year power purchase agreement contract with NextEra Energy Resources. The facility will be east of the city of Fort Calhoun. We anticipate this renewable metric will grow considerably in the coming years, with new and improved technologies.

In addition to no general rate increase, OPPD also does not plan to increase the Fuel and Purchased Power Adjustment in 2019.



Timothy J. Burke  
President and Chief Executive Officer



# **CORPORATE STRATEGIC PLANNING**



## 2019 CORPORATE OPERATING PLAN CORPORATE STRATEGIC PLANNING

Industry trends are accelerating transformational change, creating significant pressures on traditional strategies and business models of electric utilities. Renewable energy portfolios, grid modernization, shifting customer expectations, technology innovation and workforce dynamics influence our decisions, and compel us to navigate through significant ambiguity and make courageous decisions for our future. While embracing the legacy of traditional energy services, we must also embrace innovation, and continuously explore new and better ways to deliver affordable, reliable and environmentally sensitive energy services to our customers.

To provide clear and transparent direction on behalf of OPPD customer owners, OPPD’s publicly elected Board of Directors established fifteen strategic direction (SD) policies to which OPPD is accountable. The policies guide OPPD’s strategic and operational planning efforts to address current and future trends, mitigate risks, pursue strategic opportunities, and prioritize resources to efficiently and effectively provide energy services to the District. They align the organization to clear performance expectations to serve OPPD’s customer-owners.

### Our Strategic Foundation (SD-1)

**Mission:** To provide affordable, reliable and environmentally sensitive energy services to our customers.

**Vision:** “Leading the Way We Power the Future”

In implementing this vision, OPPD shall adhere to these principles:

- Strengthen the public power advantage of affordable and reliable electricity;
- Exemplify fiscal, social and environmental responsibility to optimize value to our customer-owners;
- Proactively engage and communicate with our stakeholders;
- Act transparently and with accountability for the best interest of our customer-owners;
- Collaborate, when appropriate, with partners; and
- Leverage OPPD’s leadership to achieve these goals.

**Core Values**

- We have a PASSION to serve
- We HONOR our community
- We CARE about each other

**2019 CORPORATE OPERATING PLAN  
CORPORATE STRATEGIC PLANNING**

The strategic direction policies leverage industry benchmarks to drive performance as a top utility, and provide the basis for a scorecard to which the organization manages its performance. Management establishes targets as a measure of performance, which are subject to change based upon ongoing discussions of the impact of current events.

Board Strategic Direction Policies & 2019 Performance Targets				
Policy	Measure	Definition	2019 Target	Strategic Goal
<b>Rates (SD-2)</b>	% Below Regional Retail Average	Retail rate target of West North Central Regional average published rates on a system average basis	No general rate increase	20%*
<b>Access to Credit Markets (SD-3)</b>	Debt Coverage Ratio	Revenues less expenses divided by total annual senior and subordinate lien debt interest and principal payments.	2.0	2.0
<b>Reliability (SD-4)</b>	SAIDI	System Average Interruption Duration Index	<90	<90
	Equivalent Availability	% of actual generation potential to a unit's maximum rated output over a period of time	90%	90%
<b>Customer Satisfaction (SD-5)</b>	Absolute Satisfaction Score	JD Power's annual Electric Utility Residential Customer Satisfaction Study	Top Quartile	Top Quartile
<b>Safety (SD-6)</b>	DART	Days Away, Restricted or Transferred	<0.50	<0.50
<b>Environmental Stewardship (SD-7)</b>	% Renewables	% of retail energy sales shall be supplied from renewable energy sources	>30%	>30%
<b>Employee Relations (SD-8)</b>	Employee Engagement	Composite score of employee engagement	82.5	85
Resource Planning (SD-9), Ethics (SD-10), Economic Development (SD-11), Information Management & Security (SD-12), Stakeholder Outreach & Communication (SD-13), Retirement Plan Funding (SD-14), Enterprise Risk Management (SD-15)				

*\*In addition to the rate target, SD-2: Rates specifies there will be "no general rate increase for a 5-year period starting January 1, 2017 and ending December 31, 2021."*

**2019 CORPORATE OPERATING PLAN  
CORPORATE STRATEGIC PLANNING**

**Enterprise Risk Management**

Fundamental to effective planning is an understanding of enterprise level risks and development and implementation of initiatives and mitigation plans. The District’s Enterprise Risk Management (“ERM”) program helps to ensure strategic objectives are achieved. The program specifies risk management standards, management responsibilities, and controls to help ensure risk exposures are properly identified and managed within agreed upon risk tolerance levels. Specific risk mitigation plans and procedures are maintained and reviewed periodically to provide focused and consistent efforts to mitigate various risk exposures. In support of its 2019 corporate planning efforts, OPPD leveraged risk assessments and mitigation plans to prioritize resources.

Theme	OPPD’s Risk Management Focus
Retail revenues & off-system sales	Persistently pursue customer and economic development to achieve economies of scale and strengthen top quartile energy competitive rates. Maximize off-system sales to further benefit our customer owners.
Generation reliability	Maintain highly available generation units and a diverse fuel supply to provide power whenever our customer-owners need it
Environmental regulation	Ensure the District is well-positioned to respond to the ever-changing landscape of environmental regulation to meet our goal to provide environmentally sensitive energy services.
Decommission Fort Calhoun Station	Realize the economic savings potential from ceasing operations at Fort Calhoun Station. Ensure decommissioning funds are wholly adequate to return the facility to green field status.
Cyber & physical security	Vigorously defend customer information and District assets from potential security threats to our infrastructure.
Infrastructure investment	Continue sufficient investment into transmission and distribution assets to ensure reliable and resilient energy services.
Workplace safety	Promote safety as a top priority to ensure every employee goes home as healthy as they came into work.
Community partnership	Honor and support the communities in which we operate and fulfill the promise of public power.

# 2019 CORPORATE OPERATING PLAN CORPORATE STRATEGIC PLANNING

## Strategic Focus

Over the next ten years, five principles – trusted energy partner, operational excellence, technology solutions, powered through people and financial stewardship – help guide our actions to lead the way we power the future and fulfill our mission of providing affordable, reliable and environmentally sensitive energy services to our customers.





# **ASSUMPTIONS**

## **2019 CORPORATE OPERATING PLAN ASSUMPTIONS**

### **General**

#### **2018 Projected**

Operations and maintenance, capital and deferred expenditures reflect the 2018 budget adjusted for revisions submitted through October 31, 2018. Other values reflect actual charges through October plus forecast revisions for the remainder of the year.

### **Financing / Investing**

#### **Financing**

The outstanding Revenue Bond balance will not be impacted by new money in the 2019 Financing Plan.

#### **Investment Yield on the Revenue and Construction Funds**

Average investment earnings rates used for 2019 are 2.6% compared to the 1.2% rate from the prior year.

### **Energy Sales / Revenues**

#### **Load Forecast**

The plan assumes a 0.2% decrease in general business energy sales (MWh) and a 1.2% increase in the number of customers in 2019, as compared to the 2018 projections.

### **2019 Proposed Rate Action**

OPPD's 2019 budget requires no General Rate increase, as well as, no increase in the Fuel and Purchased Power Adjustment (FPPA) effective January 1, 2019.

Implemented rate mitigation strategies:

- a. Excess energy sold into the wholesale market
- b. Cost reduction initiatives driven by the strategic planning process
- c. Implementing corporate Accountable Management System philosophies

## **2019 CORPORATE OPERATING PLAN ASSUMPTIONS**

### **Generation, Purchased Power, and Fuel Budget**

Outages have been scheduled for the following base-load units in 2019:

1. Nebraska City Unit Number 1
2. Nebraska City Unit Number 2
3. North Omaha Unit Number 4.

Additionally there are several shorter outages scheduled for the peaking units. The purchased power budget includes generation supplied from 973 megawatts of wind capability by the end of 2019.

### **Department Operation and Maintenance Budget**

Department and division level budgets were proposed in August 2018. These plans were reviewed with Senior Management for alignment with the strategic directives before submitting them for final approval.

### **Capital Budget Expenditures**

The capital portfolio prioritization and allocation process implemented in 2016 continues to improve capital planning. The process enables better alignment with the strategic directives and provides more transparency of capital spending through improved project review and approval processes.

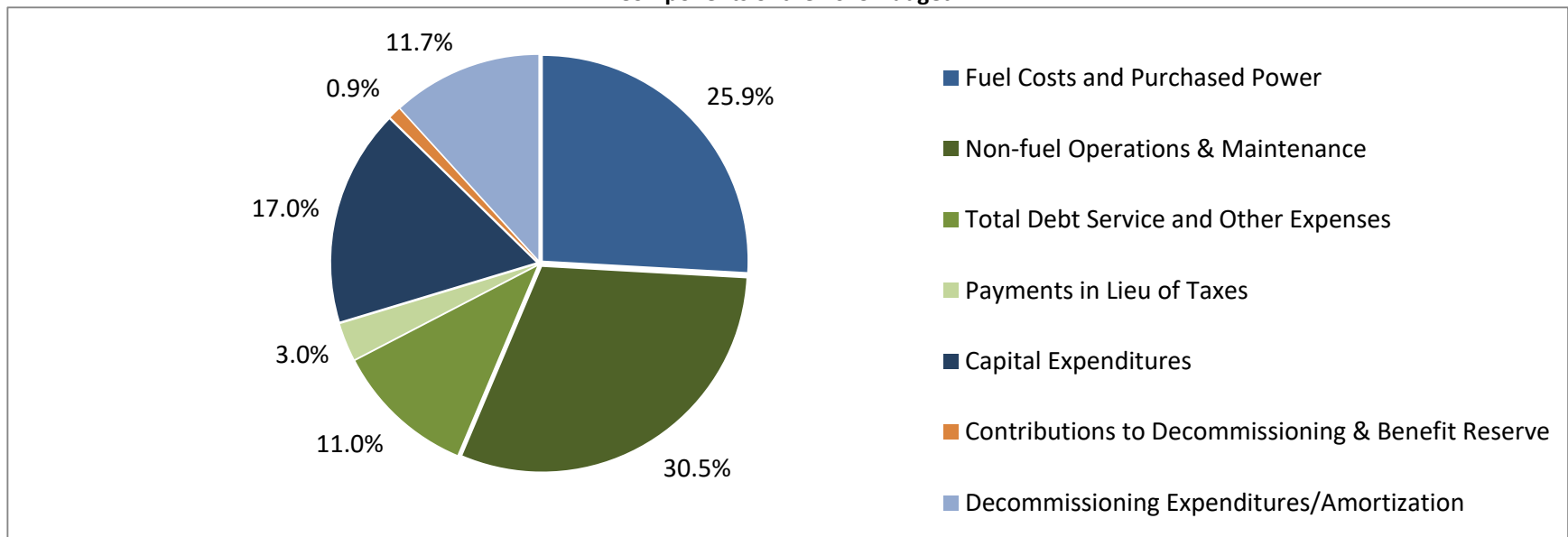
### **Total 2019 Budget**

The total 2019 Budget is \$1.2 billion.

**CORPORATE OPERATING PLAN**  
**2019 BUDGET SUMMARY**  
**2018 BUDGET COMPARED TO 2019 BUDGET**  
(DOLLARS IN THOUSANDS)

	BUDGET 2018	BUDGET 2019	INCREASE / (DECREASE)	% CHANGE
Fuel Costs and Purchased Power	\$319,149	\$305,005	(\$14,144)	-4.4%
Non-fuel Operations & Maintenance	327,425	358,831	31,406	9.6%
Total Debt Service and Other Expenses	134,362	129,779	(4,583)	-3.4%
Payments in Lieu of Taxes	34,036	34,861	825	2.4%
Capital Projects	147,649	200,000	52,351	35.5%
Contributions to Decommissioning & Benefit Reserve	8,770	11,057	2,287	26.1%
Regulatory Amortization	14,837	14,840	3	0.0%
Decommissioning Expenditures	136,187	123,532	(12,655)	-9.3%
<b>TOTAL BUDGET</b>	<b>\$1,122,415</b>	<b>\$1,177,905</b>	<b>\$55,490</b>	<b>4.9%</b>

**Components of the 2019 Budget**



**2018 Fuel and Purchased Power Budget Compared to 2019 Budget**

	BUDGET 2018	BUDGET 2019	INCREASE / (DECREASE)	% CHANGE
Fuel Costs				
Fossil	\$178,943	\$149,105	(\$29,838)	-16.7%
Peaking Units	7,148	6,240	(908)	-12.7%
Total Fuel Cost	\$186,091	\$155,345	(\$30,746)	-16.5%
Purchased Power	\$133,058	\$149,660	\$16,602	12.5%
<b>TOTAL BUDGET</b>	<b>\$319,149</b>	<b>\$305,005</b>	<b>(\$14,144)</b>	<b>-4.4%</b>

**2018 non-fuel O&M Budget Compared to 2019 Budget**

	BUDGET 2018	BUDGET 2019	INCREASE / (DECREASE)	% CHANGE
Production	\$84,627	\$100,363	\$15,736	18.6%
Transmission and Distribution	89,563	99,938	10,375	11.6%
Customer Accounting and Services	35,329	37,789	2,460	7.0%
Administrative and General	117,906	120,741	2,835	2.4%
<b>TOTAL BUDGET</b>	<b>\$327,425</b>	<b>\$358,831</b>	<b>\$31,406</b>	<b>9.6%</b>

**2018 Debt Service/Other Expenses Compared to 2019 Budget**

	BUDGET 2018	BUDGET 2019	INCREASE / (DECREASE)	% CHANGE
Bonds	\$139,821	\$137,613	(\$2,210)	-1.6%
Commercial Paper	1,575	3,000	1,425	90.5%
Other	(7,034)	(10,834)	(3,798)	54.0%
<b>TOTAL BUDGET</b>	<b>\$134,362</b>	<b>\$129,779</b>	<b>(\$4,583)</b>	<b>-3.4%</b>



# ***2019 CORPORATE OPERATING PLAN***





# **FINANCIAL STATEMENTS**

## **2019 CORPORATE OPERATING PLAN INCOME STATEMENT**

Projected net income for 2018 is \$65.7 million, which is \$13.9 million under budget, and includes funding of \$29.6 million for the Decommissioning and Benefits Reserve Fund. Operating revenues are projected to be \$47.7 million over budget.

Net income for 2019 is projected to be \$77.6 million, which is \$11.9 million or 18.1% higher than the 2018 projected net income. When compared to the 2018 budget, net income for 2019 is \$1.9 million or 2.4% lower.

Major factors contributing to the change in 2019 net income are:

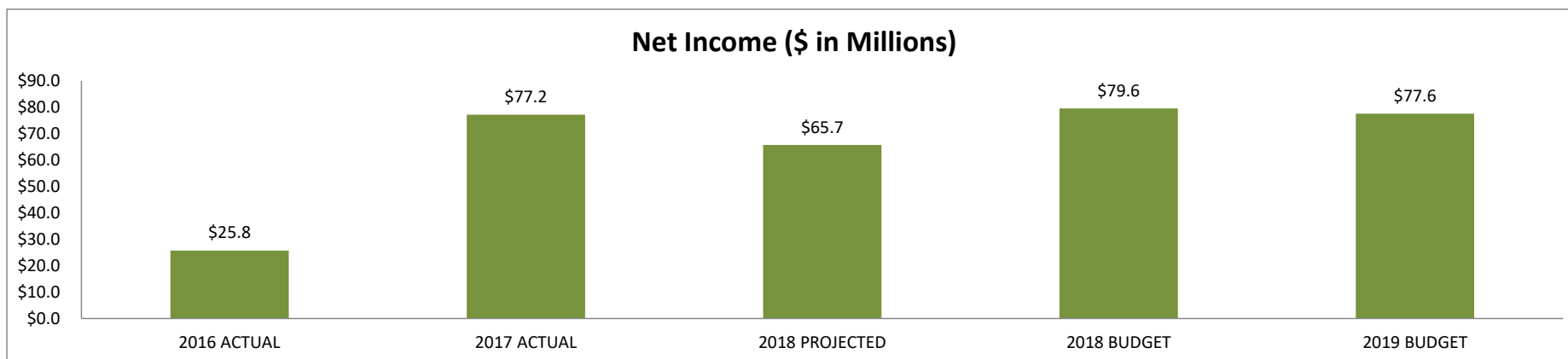
- 1) Operating revenue is budgeted to be \$58.5 million lower than 2018 projections and \$10.8 million lower than the 2018 budget. The budget decrease is primarily due to lower wholesale revenues.

Wholesale revenues are projected to decrease \$69.4 million from 2018 projections and decrease \$31.9 million when compared to the 2018 budget.

- 2) Operation and maintenance expense is budgeted to be \$32.0 million lower than the 2018 projected amount and \$17.3 million higher than the 2018 budget amount.
- 3) Other income is projected to be \$25.0 million higher than the 2018 projected amount. Other income budgeted for 2019 is \$11.1 million higher than 2018 budget amount.
- 4) Interest expense on bonds is projected to be \$1.7 million lower than the 2018 projected amount and \$4.3 million lower than the 2018 budget amount.
- 5) Decommissioning expense represents funding of the Decommissioning Fund and is budgeted to be \$143.0 million in 2019.

**2019 CORPORATE OPERATING PLAN**  
**INCOME STATEMENT**  
(DOLLARS IN THOUSANDS)

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	19 BUDGET VS. 18 PROJ.	
	2016	2017	2018	2018	2018	2019	\$ CHANGE	% CHANGE
OPERATING REVENUES	\$1,126,476	\$1,104,324	\$1,152,138	\$1,104,413	\$47,725	\$1,093,642	(\$58,496)	(5.1)
OPERATING EXPENSES								
O&M EXPENSE	\$823,858	\$653,293	\$695,835	\$646,575	\$49,260	\$663,837	(\$31,998)	(4.6)
PAYMENTS IN LIEU OF TAXES	34,138	33,989	34,982	34,036	946	34,861	(121)	(0.3)
DECOMMISSIONING EXPENSE	17,576	147,469	156,000	156,000	0	143,000	(13,000)	(8.3)
REGULATORY AMORTIZATION	1,854	14,836	14,834	14,836	(2)	14,838	4	0.0
DEPRECIATION EXPENSE	147,691	125,799	122,655	125,274	(2,619)	126,998	4,343	3.5
TOTAL OPERATING EXPENSE	\$1,025,118	\$975,386	\$1,024,306	\$976,720	\$47,586	\$983,534	(\$40,772)	(4.0)
OPERATING INCOME	\$101,359	\$128,938	\$127,832	\$127,693	\$139	\$110,108	(\$17,724)	(13.9)
INTEREST INCOME	\$23,199	\$16,801	\$18,838	\$19,312	(\$474)	\$33,559	\$14,721	78.1
DECOMMISSIONING INTEREST TRANSFER	(24,241)	0	0	0	0	0	0	...
ALLOWANCE FOR FUNDS USED	7,380	2,988	2,876	3,649	(773)	5,177	2,301	80.0
PRODUCTS AND SERVICES - NET	3,739	3,903	3,021	3,450	(429)	3,835	814	26.9
MISC. NON OPERATING INCOME**	2,229	10,790	(4,174)	8,100	(12,274)	3,000	7,174	(171.9)
TOTAL OTHER INCOME	\$12,305	\$34,483	\$20,561	\$34,511	(\$13,950)	\$45,571	\$25,010	121.6
TOTAL INCOME LESS OPERATING EXPENSE	\$113,664	\$163,421	\$148,393	\$162,203	(\$13,810)	\$155,679	\$7,286	4.9
INCOME DEDUCT. & INT. CHARGES								
INTEREST EXPENSE ON BONDS	\$93,039	\$90,343	\$85,476	\$88,083	(\$2,607)	\$83,751	(\$1,725)	(2.0)
INTEREST EXPENSE ON NOTES	1,484	1,487	1,548	1,544	4	1,574	26	...
INTEREST EXPENSE ON COMM. PAPER	773	1,405	2,112	1,575	537	3,000	888	42.0
AMORTIZATION	(8,209)	(9,818)	(7,380)	(9,179)	1,799	(10,884)	(3,504)	47.5
OTHER INCOME DEDUCTIONS	827	2,806	909	600	309	600	(309)	(34.0)
TOTAL INCOME & DEDUCTIONS	\$87,914	\$86,224	\$82,665	\$82,624	\$41	\$78,042	(\$4,624)	(5.6)
NET INCOME	\$25,750	\$77,196	\$65,728	\$79,579	(\$13,851)	\$77,637	\$11,909	18.1



NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

\*\*Excluding the Special Item that resulted from the Fort Calhoun Station Decommissioning Decision in 2016.

**2019 CORPORATE OPERATING PLAN  
COVERAGE RATIOS**

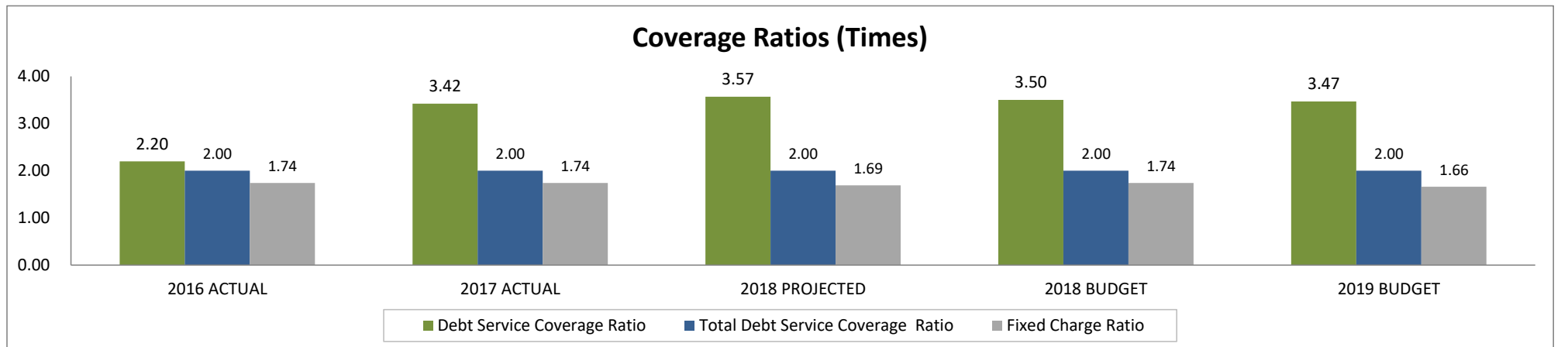
The debt service (Senior Lien) coverage ratio is projected to be 3.57 times in 2018 and 3.47 times in 2019. Net receipts for 2019 are expected to decrease by \$21.6 million or 5.5% from 2018 projected levels. Debt service requirements for 2019 are expected to decrease \$2.9 million over 2018 projections.

The total debt service coverage ratio is projected to be 2.00 times in 2019.

The fixed charge ratio is projected to be 1.66 times in 2019.

**2019 CORPORATE OPERATING PLAN  
COVERAGE RATIOS  
(DOLLARS IN THOUSANDS)**

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	19 BUDGET VS. 18 PROJ.	
	2016	2017	2018	2018	2018	2019	\$ CHANGE	% CHANGE
OPERATING REVENUES (EXCL. NC2)	\$1,054,650	\$1,034,576	\$1,079,456	\$1,036,750	\$42,706	\$1,032,366	(\$47,090)	(4.4)
INTEREST INCOME - BONDS RESERVE ACCOUNT	1,317	1,254	965	843	122	1,243	278	28.8
O&M EXPENSE (EXCL. NC2 PARTICIPANT SHARE)	(770,066)	(612,649)	(651,834)	(604,695)	(47,139)	(626,789)	25,045	(3.8)
PAYMENTS IN LIEU OF TAXES	(34,138)	(33,989)	(34,982)	(34,038)	(944)	(34,861)	121	(0.3)
<b>NET RECEIPTS</b>	<b>\$251,764</b>	<b>\$389,192</b>	<b>\$393,605</b>	<b>\$398,860</b>	<b>(\$5,255)</b>	<b>\$371,959</b>	<b>(\$21,646)</b>	<b>(5.5)</b>
DEBT SERVICE REQUIREMENTS (SENIOR LIEN)	\$114,363	\$113,731	\$109,971	\$113,823	(\$3,852)	\$107,090	(\$2,881)	(2.6)
DEBT SERVICE (SENIOR LIEN) COVERAGE RATIO	2.20	3.42	3.57	3.50		3.47		
<u>MEMO: OTHER COVERAGE RATIOS:</u>								
TOTAL DEBT SERVICE COVERAGE RATIO	2.00	2.00	2.00	2.00		2.00		
FIXED CHARGE RATIO	1.74	1.74	1.69	1.74		1.66		



NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

**2019 CORPORATE OPERATING PLAN**  
**DEBT AND FINANCING DATA**

Total revenue bonds outstanding at year-end 2019 are projected to equal \$1,273.2 million. The 2019 budget does not anticipate the issuance of new revenue bonds but does have revenue bond maturities of \$47.2 million. The outstanding Revenue Bond balance will not be impacted by the 2019 Financing Plan, which provides flexibility to capitalize on market conditions.

Total subordinated bonds outstanding at year-end 2019 are projected to equal \$334.8 million. The 2019 budget does not anticipate the issuance of new subordinated bonds but does have subordinated bond maturities of \$1.2 million.

Total minibond notes outstanding at year-end 2019 are budgeted to be \$31.5 million.

Total NC2 revenue bonds outstanding at year-end 2019 are projected to equal \$208.6 million. The 2019 budget does not anticipate the issuance of new NC2 revenue bonds but does have NC2 revenue bond maturities of \$3.4 million.

The total interest rate on existing debt will average 4.45% at the end of 2018 and 4.42% at the end of 2019. The debt to capitalization ratio is projected to be 59% for 2019.

**2019 CORPORATE OPERATING PLAN**  
**DEBT & FINANCING DATA**  
(DOLLARS IN THOUSANDS)

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	19 BUDGET VS. 18 PROJ.	
	2016	2017					2018	2018
<b>REVENUE BONDS-1788</b>								
BALANCE - BEGINNING OF YEAR	\$1,513,725	\$1,458,365	\$1,399,645	\$1,412,770	(\$13,125)	\$1,320,330	(\$79,315)	(5.7)
MATURITIES / RETIREMENTS	(43,065)	(278,915)	(224,645)	(47,495)	(177,150)	(47,160)	177,485	(79.0)
NEW ISSUES	(12,295)	220,195	145,330	0	145,330	0	(145,330)	(100.0)
BALANCE - END OF YEAR	\$1,458,365	\$1,399,645	\$1,320,330	\$1,365,275	(\$44,945)	\$1,273,170	(\$47,160)	(3.6)
AVERAGE INTEREST RATE (END OF YEAR)	4.68%	4.87%	5.03%	4.71%		5.05%		
<b>SUBORDINATED</b>								
BALANCE - BEGINNING OF YEAR	\$337,375	\$337,280	\$337,120	\$337,120	\$0	\$335,940	(\$1,180)	(0.4)
MATURITIES / RETIREMENTS	(95)	(160)	(1,180)	(1,095)	(85)	(1,175)	5	(0.4)
NEW ISSUES	0	0	0	0	0	0	0	-
BALANCE - END OF YEAR	\$337,280	\$337,120	\$335,940	\$336,025	(\$85)	\$334,765	(\$1,175)	(0.3)
AVERAGE INTEREST RATE (END OF YEAR)	3.97%	3.97%	3.98%	3.97%		3.99%		
<b>MINIBONDS</b>								
BALANCE - BEGINNING OF YEAR	\$29,338	\$29,816	\$30,273	\$30,295	(\$22)	\$30,734	\$461	1.5
MATURITIES / RETIREMENTS	(127)	(125)	(158)	0	(158)	0	158	(100.0)
ACCREDITED INTEREST	605	582	619	678	(59)	729	110	17.8
BALANCE - END OF YEAR	\$29,816	\$30,273	\$30,734	\$30,973	(\$239)	\$31,463	\$729	2.4
AVERAGE INTEREST RATE (END OF YEAR)	5.01%	4.94%	4.84%	4.99%		4.91%		
<b>COMMERCIAL PAPER</b>								
BALANCE - BEGINNING OF YEAR	\$150,000	\$150,000	\$150,000	\$150,000	\$0	\$150,000	\$0	0.0
MATURITIES / RETIREMENTS	0	0	0	0	0	0	0	-
NEW ISSUES	0	0	0	0	0	0	0	-
BALANCE - END OF YEAR	\$150,000	\$150,000	\$150,000	\$150,000	\$0	\$150,000	\$0	0.0
AVERAGE INTEREST RATE (END OF YEAR)	0.73%	0.94%	1.05%	1.05%		2.00%		
<b>REVENUE BONDS-NC2 (SEPARATE ELEC. SYS.)</b>								
BALANCE - BEGINNING OF YEAR	\$225,910	\$218,460	\$215,215	\$215,215	\$0	\$211,995	(\$3,220)	(1.5)
MATURITIES / RETIREMENTS	(3,190)	(3,245)	(3,220)	(3,220)	0	(3,350)	(130)	4.0
NEW ISSUES	(4,260)	0	0	0	0	0	0	-
BALANCE - END OF YEAR	\$218,460	\$215,215	\$211,995	\$211,995	\$0	\$208,645	(\$3,350)	(1.6)
AVERAGE INTEREST RATE (END OF YEAR)	4.88%	4.95%	4.98%	4.93%		5.00%		
TOTAL AVERAGE INTEREST RATE (END OF YEAR)	4.43%	4.37%	4.45%	4.35%		4.42%		
TOTAL INTEREST EXPENSE (ON DEBT)	\$87,914	\$86,224	\$82,665	\$82,624	\$41	\$78,042	(\$4,623)	(5.6)
DEBT TO CAPITALIZATION RATIO	66%	64%	61%	62%		59%		

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

**2019 CORPORATE OPERATING PLAN  
CASH FLOW ANALYSIS**

Projected cash receipts for 2018 are \$1,191.2 million, which is \$53.3 million over budget. Cash disbursements are projected to be \$1,133.0 million in 2018 or \$11.1 million over the budget amount primarily due to higher O&M expense of \$19.7 million and contributions to Reserve Funds.

In 2019, cash receipts are expected to decrease by \$32.3 million to \$1,158.9 million as compared to the 2018 projection. This decrease is primarily related to wholesale revenues.

Cash disbursements in 2019 are anticipated to increase by \$45.8 million to \$1,178.8 million as compared to the 2018 projection. Increases in cash disbursements for 2019 include O&M expense of \$33.5 million and capital of \$85.0 million, offset by decreased contributions to Reserve Funds.

The budget values of cash receipts and disbursements result in a projected year-end cash balance of \$456.3 million in 2019. Net operating cash flow for 2019 is projected to be a negative \$19.9 million, due in large part to the district's 2019 capital expenditure program.



**2019 CORPORATE OPERATING PLAN**  
**CASH FLOW ANALYSIS**  
(DOLLARS IN THOUSANDS)

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	19 BUDGET VS. 18 PROJ.	
	2016	2017					2018	2018
CASH BEGINNING OF PERIOD	\$364,418	\$369,493	\$449,066	\$369,775	\$79,291	\$476,222	\$27,156	6.0
RECEIPTS								
GENERAL BUSINESS REVENUES	\$946,413	\$939,314	\$974,057	\$946,077	\$27,980	\$977,131	\$3,074	0.3
WHOLESALE REVENUES (INCL. NC2)	174,995	155,525	175,001	140,860	34,141	109,074	(65,927)	(37.7)
OTHER ELECTRIC REVENUES	\$29,917	30,310	33,081	31,599	1,482	35,295	2,214	6.7
INTEREST INCOME	\$6,511	19,900	6,021	15,862	(9,841)	33,559	27,538	457.4
PRODUCTS & SERVICES	\$3,739	3,515	3,021	3,450	(429)	3,835	814	26.9
USE OF RESERVE ACCOUNTS	\$0	0	0	0	0	0	0	-
TOTAL RECEIPTS	\$1,161,575	\$1,148,564	\$1,191,181	\$1,137,848	\$53,333	\$1,158,894	(\$32,287)	(2.7)
DISBURSEMENTS								
O&M EXPENSE (W/O FUEL)	\$619,520	\$469,444	\$469,352	\$449,661	\$19,691	\$502,872	\$33,520	7.1
DECOMMISSIONING EXPENSE	\$17,576	147,469	156,000	156,000	0	143,000	(13,000)	(8.3)
PAYMENTS IN LIEU OF TAXES	\$32,301	33,749	34,982	34,017	965	34,216	(766)	(2.2)
DEBT SERVICE	\$144,044	143,300	135,451	145,018	(9,567)	139,634	4,183	3.1
CAPITAL EXPENDITURES	\$142,650	123,000	110,000	144,000	(34,000)	195,000	85,000	77.3
FOSSIL FUEL	\$164,852	169,075	176,350	195,988	(19,638)	155,994	(20,356)	(11.5)
NUCLEAR FUEL	\$21,768	0	0	0	0	0	0	-
CHANGES IN OTHER NET ASSETS	(\$12,211)	(17,046)	(7,600)	(11,550)	3,950	(2,998)	4,602	(60.6)
CONTRIBUTIONS TO RESERVE ACCOUNTS	\$26,000	0	58,490	8,770	49,720	11,057	(47,433)	(81.1)
TOTAL DISBURSEMENTS	\$1,156,500	\$1,068,991	\$1,133,025	\$1,121,904	\$11,121	\$1,178,775	\$45,750	4.0
NET OPERATING CASH FLOW	\$5,075	\$79,573	\$58,156	\$15,944	\$42,212	(\$19,881)	(\$78,037)	(134.2)
FINANCING	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-
FINANCING COST / RESERVE AMOUNT	\$0	0	0	0	0	0	0	-
COMMERCIAL PAPER - NET	\$0	0	0	0	0	0	0	-
OTHER	\$0	0	(31,000)	0	(31,000)	0	31,000	(100.0)
NC2 PARTICIPANT CONTRIBUTION	\$0	0	0	0	0	0	0	-
TOTAL FINANCING	\$0	\$0	(\$31,000)	\$0	(\$31,000)	\$0	\$31,000	(100.0)
TOTAL CHANGE IN CASH	\$5,075	\$79,573	\$27,156	\$15,944	\$11,212	(\$19,881)	(\$47,037)	(173.2)
CASH END OF PERIOD	\$369,493	\$449,066	\$476,222	\$385,719	\$90,503	\$456,341	(\$19,882)	(4.2)
DECOMMISSIONING FUND	\$382,000	\$421,000	\$488,000	\$449,000	\$39,000	\$523,000	\$35,000	7.2

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.



# **ENERGY SALES AND REVENUES**

**2019 CORPORATE OPERATING PLAN  
ELECTRIC ENERGY SALES AND ELECTRIC CUSTOMERS**

Electric energy sales for 2019 are projected to be 1,741,530 MWh or 10.6% lower than the 2018 projected energy sales. General business sales are expected to decrease 23,683 MWh in 2019. Wholesale sales (including NC2 participation sales) are budgeted to decrease 1,717,847 MWh or 31.2% from 2018 projected levels.

In 2019, the average number of general business customers is expected to increase by 4,633 or 1.2% above 2018 projections.

Average kWh usage per customer is expected to decrease by 2.2% in 2019.

**2019 CORPORATE OPERATING PLAN  
ELECTRIC ENERGY SALES AND CUSTOMERS**

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	19 BUDGET VS. 18 PROJ.	
	2016	2017					2018	2018
<u>ELECTRIC ENERGY SALES (MWh)</u>								
RESIDENTIAL	3,588,933	3,568,164	3,831,831	3,560,129	271,702	3,610,826	(221,005)	(5.8)
COMMERCIAL	3,683,821	3,675,829	3,766,427	3,683,863	82,564	3,711,108	(55,319)	(1.5)
INDUSTRIAL	3,328,290	3,394,003	3,395,379	3,351,143	44,236	3,558,350	162,971	4.8
SUBTOTAL	10,601,044	10,637,996	10,993,637	10,595,135	398,502	10,880,284	(113,353)	(1.0)
UNBILLED SALES	63,638	(19,868)	(53,837)	(7,488)	(46,349)	35,833	89,670	(166.6)
GENERAL BUSINESS SALES	10,664,682	10,618,128	10,939,800	10,587,647	352,153	10,916,117	(23,683)	(0.2)
NC2 PARTICIPANT	2,535,796	2,139,235	2,423,668	2,523,173	(99,506)	2,101,000	(322,668)	(13.3)
OTHER	4,702,471	3,561,773	3,075,163	2,739,496	335,666	1,679,983	(1,395,180)	(45.4)
WHOLESALE SALES	7,238,266	5,701,008	5,498,830	5,262,670	236,160	3,780,983	(1,717,847)	(31.2)
TOTAL MWh SALES	17,902,948	16,319,137	16,438,630	15,850,316	588,314	14,697,100	(1,741,530)	(10.6)
<u>ELECTRIC CUSTOMERS (12 MONTH AVG.)</u>								
RESIDENTIAL	323,784	322,607	332,757	329,631	3,126	337,037	4,280	1.3
COMMERCIAL	45,537	45,953	46,530	46,295	235	46,883	353	0.8
INDUSTRIAL	164	175	153	159	(6)	153	0	0.0
TOTAL GEN. BUS. CUSTOMERS	369,485	368,735	379,440	376,085	3,355	384,073	4,633	1.2
<u>kWh / CUSTOMER</u>								
RESIDENTIAL	11,084	11,060	11,515	10,800	715	10,713	(802)	(7.0)
COMMERCIAL	80,898	79,991	80,946	79,574	1,372	79,157	(1,789)	(2.2)
INDUSTRIAL	20,243,021	19,394,304	22,192,020	21,054,302	1,137,718	23,257,190	1,065,170	4.8
AVERAGE kWh / CUSTOMER	28,691	28,850	28,973	28,172	801	28,329	(645)	(2.2)

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

## **2019 CORPORATE OPERATING PLAN OPERATING REVENUES**

Total electric operating revenues for 2018 are projected to be \$1,152.1 million, which is \$47.7 million or 4.3% over budget. Increases are primarily due to wholesale revenues that are projected to be \$37.5 million over budget. The retail revenues reflect funding an additional \$29.6 million into the Decommissioning and Benefits Reserve Fund.

Total electric operating revenues for 2019 are expected to be \$1,093.6 million, which is \$58.5 million or 5.1% under the 2018 projected operating revenues. The decrease is primarily due to lower 2019 wholesale revenues. The retail revenues reflect funding an additional \$11.1 million into the Decommissioning and Benefits Reserve Fund.

**2019 CORPORATE OPERATING PLAN**  
**OPERATING REVENUES**  
(DOLLARS IN THOUSANDS)

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	19 BUDGET VS. 18 PROJ.	
	2016	2017	2018	2018	2018	2019	\$ CHANGE	% CHANGE
<b>ELECTRIC OPERATING REVENUES</b>								
RESIDENTIAL	\$410,958	\$409,272	\$429,222	\$406,571	\$22,651	\$414,991	(\$14,231)	(3.3)
COMMERCIAL	324,545	324,723	331,169	324,810	6,359	325,609	(5,560)	(1.7)
INDUSTRIAL	210,912	214,580	214,847	214,071	776	227,747	12,900	6.0
SUBTOTAL	\$946,415	\$948,574	\$975,238	\$945,452	\$29,786	\$968,347	(\$6,891)	(0.7)
FPPA TRUE-UP	(\$6,115)	6,708	\$8,618	(\$625)	\$9,243	(\$8,634)	(\$17,252)	(200.2)
PROVISION FOR DABR	0	(34,500)	(29,574)	(8,770)	(20,804)	(11,057)	18,517	(62.6)
PROVISION FOR RATE STABILIZATION	(26,000)	(8,000)	0	0	0	0	0	-
UNBILLED REVENUES/ADJUSTMENTS	6,753	(1,049)	(10,227)	(765)	(9,462)	4,100	14,327	(140.1)
SUBTOTAL	(\$25,363)	(\$36,841)	(\$31,183)	(\$10,160)	(\$21,023)	(\$15,591)	\$15,592	(50.0)
NC2 PARTICIPANTS	\$71,826	\$69,748	\$72,684	\$67,665	\$5,019	\$61,276	(\$11,408)	(15.7)
OTHER	103,680	94,014	102,317	69,857	32,460	44,315	(58,002)	(56.7)
TOTAL WHOLESALE REVENUES	175,506	\$163,762	\$175,001	\$137,522	\$37,479	\$105,591	(\$69,410)	(39.7)
<b>TOTAL SALES OF ELECTRIC ENERGY</b>	<b>\$1,096,558</b>	<b>\$1,075,495</b>	<b>\$1,119,056</b>	<b>\$1,072,814</b>	<b>\$46,242</b>	<b>\$1,058,347</b>	<b>(60,709)</b>	<b>(5.4)</b>
<b>OTHER ELECTRIC REVENUES</b>								
CUSTOMER FORFEITED DISCOUNTS	\$4,638	\$4,566	\$4,686	\$4,739	(\$53)	\$4,658	(\$28)	(0.6)
RENT FROM ELECTRIC PROPERTY	3,818	3,691	4,150	2,816	1,334	2,777	(1,373)	(33.1)
MISC. SERVICE REVENUE	5,747	5,453	4,841	4,566	275	4,587	(254)	(5.2)
TRANSMISSION WHEELING FEES	9,393	8,688	8,041	8,447	(406)	7,438	(603)	(7.5)
DISTRIBUTION WHEELING FEES	1,766	1,988	2,205	2,139	66	2,083	(122)	(5.5)
TRANSMISSION - SPP	4,557	4,443	9,158	8,891	267	13,752	4,594	50.2
TOTAL OTHER ELECTRIC REVENUES	\$29,918	\$28,829	\$33,081	\$31,599	\$1,482	\$35,295	\$2,214	6.7
<b>TOTAL ELECTRIC OPERATING REVENUES</b>	<b>\$1,126,476</b>	<b>\$1,104,324</b>	<b>\$1,152,137</b>	<b>\$1,104,413</b>	<b>\$47,724</b>	<b>\$1,093,642</b>	<b>(\$58,495)</b>	<b>(5.1)</b>

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

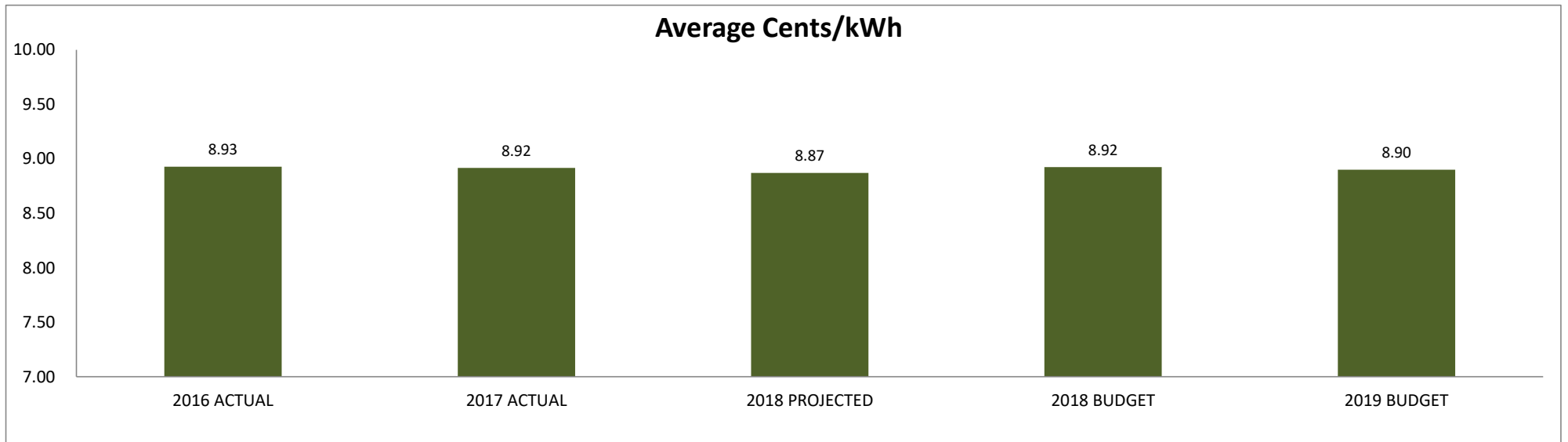
**2019 CORPORATE OPERATING PLAN**  
**AVERAGE CENTS/kWh**

The average price per kWh for retail customers is projected to be 8.90 cents for 2019. This is 0.03 cents or a 0.3% increase from the 8.87 cents that is projected for 2018.



**2019 CORPORATE OPERATING PLAN  
AVERAGE CENTS/kWh**

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	19 BUDGET VS. 18 PROJ.	
	2016	2017					2018	2018
RESIDENTIAL	11.45	11.47	11.20	11.42	(0.22)	11.49	0.29	2.6
COMMERCIAL	8.81	8.83	8.79	8.82	(0.02)	8.77	(0.02)	(0.2)
INDUSTRIAL	6.34	6.32	6.33	6.39	(0.06)	6.40	0.07	1.1
<b>RETAIL AVERAGE</b>	<b>8.93</b>	<b>8.92</b>	<b>8.87</b>	<b>8.92</b>	<b>(0.05)</b>	<b>8.90</b>	<b>0.03</b>	<b>0.3</b>
	*	*	*	*		*	*	



NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

\* Average rates are from the revenue recognized on the Income Statement. These rates differ from customer billed rates due to timing differences.



# GENERATION

**2019 CORPORATE OPERATING PLAN**  
**NET SYSTEM REQUIREMENTS**

Net system requirements for 2019 are anticipated to be 11,401,507 MWh, an increase of 0.3% from the 2018 projected amount. The major components of net system requirements are detailed below by sales and supply components.

Total sales is expected to decrease 1,741,530 MWh or 10.6%. Retail general business sales are budgeted to decrease 23,683 MWh. Wholesale sales, excluding NC2 participation sales, are expected to decrease by 1,395,180 MWh or 45.4%.

Net generation is budgeted to decrease 10.1% in 2019 to 10,083,200 MWh and firm/participation purchases are budgeted to increase 14.1%. Wholesale purchases are budgeted to decrease 1,052,841 MWh in 2019.

**Net System Requirements**  
**Sales and Supply Components (MWh)**

	PROJECTED 2018	BUDGET 2019	INCREASE / (DECREASE)	% CHANGE
<b>Sales Components</b>				
Retail General Business Sales	10,939,800	10,916,117	(23,683)	-0.2%
NC2 Participation Sales	2,423,668	2,101,000	(322,668)	-13.3%
Wholesale Sales	3,075,163	1,679,983	(1,395,180)	-45.4%
Total	16,438,630	14,697,100	(1,741,530)	-10.6%
<b>Supply Components</b>				
Net Generation	11,219,218	10,083,200	(1,136,018)	-10.1%
Firm/Participation Purchases	3,571,022	4,075,090	504,068	14.1%
Wholesale Purchases	2,077,041	1,024,200	(1,052,841)	-50.7%
Lost or Unaccounted For	(428,651)	(485,390)	(56,739)	13.2%
Total	16,438,630	14,697,100	(1,741,530)	-10.6%

**2019 CORPORATE OPERATING PLAN  
NET SYSTEM REQUIREMENTS**

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	19 BUDGET VS. 18 PROJ.	
	2016	2017					2018	2018
NET GENERATION (MWh)								
TOTAL NET GENERATION	14,726,292	10,795,116	11,219,218	12,315,329	(1,096,111)	10,083,200	(1,136,018)	(10.1)
FIRM/PARTICIPATION PURCHASES	2,401,362	3,541,931	3,571,022	3,689,964	(118,942)	4,075,090	504,068	14.1
WHOLESALE PURCHASES	1,245,993	2,369,125	2,077,041	357,649	1,719,392	1,024,200	(1,052,841)	(50.7)
TOTAL PURCHASES	3,647,355	5,911,056	5,648,063	4,047,613	1,600,450	5,099,290	(548,773)	(9.7)
TOTAL INPUT	18,373,648	16,706,173	16,867,281	16,362,942	504,339	15,182,490	(1,684,791)	(10.0)
WHOLESALE SALES								
NC2 PARTICIPANT	2,535,796	2,139,235	2,423,668	2,523,173	(99,506)	2,101,000	(322,668)	(13.3)
OTHER	4,702,471	3,561,773	3,075,163	2,739,496	335,666	1,679,983	(1,395,180)	(45.4)
TOTAL WHOLESALE SALES	7,238,266	5,701,008	5,498,830	5,262,670	236,160	3,780,983	(1,717,847)	(31.2)
NET SYSTEM REQUIREMENTS	11,135,381	11,005,165	11,368,451	11,100,272	268,179	11,401,507	33,056	0.3
TOTAL GENERAL BUSINESS SALES	10,664,682	10,618,128	10,939,800	10,587,647	352,153	10,916,117	(23,683)	(0.2)
ENERGY LOST OR UNACCOUNTED FOR	470,699	387,036	428,651	512,625	(83,974)	485,390	56,739	13.2
TOTAL GEN. BUS. SALES	11,135,381	11,005,165	11,368,451	11,100,272	268,179	11,401,507	33,056	0.3
PEAK LOAD (MW)								
EXCLUDES DSM	2,354	2,646	2,364	2,346	18	2,399	35	1.5
INCLUDES DSM	2,354	2,646	2,364	2,223	141	2,272	(92)	(3.9)
LOAD FACTOR (%) - REFLECTS DSM	54.0	47.5	54.9	54.0	0.9	54.3	(0.6)	(1.2)

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.



**OPERATION AND MAINTENANCE EXPENSE  
AND  
DECOMMISSIONING EXPENDITURES**

**2019 CORPORATE OPERATING PLAN**  
**OPERATION AND MAINTENANCE EXPENSE AND DECOMMISSIONING EXPENDITURES**

The District's 2019 total budgeted operation and maintenance (O&M) expense is \$663.8 million, which is \$32.0 million or 4.6% less than the 2018 projected amount.

Fuel expense is the largest category of O&M expense, representing 23.4% of total O&M expense. Fuel expense is budgeted at \$155.3 million for 2019, a decrease of \$21.0 million or 11.9% less than the 2018 projected amount.

Production expense represents 15.1% of the total and is budgeted to be \$100.4 million in 2019, which is \$12.4 million or 14.0% more than the 2018 projected amount. The primary driver is incremental budget for scheduled outages.

Purchased power, including wind purchases, represents 22.5% of total O&M expense and is budgeted at \$149.7 million for 2019. This represents a decrease of \$38.1 million or 20.3% below the 2018 projected amount.

Transmission and distribution expense represents 15.1% of total O&M expense and is budgeted at \$99.9 million, which is \$6.1 million or 6.6% more than the 2018 projected amount. The primary driver is an increase of Southwest Power Pool (SPP) fees.

Customer accounting and services expense represents 5.7% of total O&M expense and is budgeted at \$37.8 million for 2019. This represents an increase of \$1.5 million or 4.1% more than the 2018 projected amount. The primary driver is the customer experience initiative as well as product development.

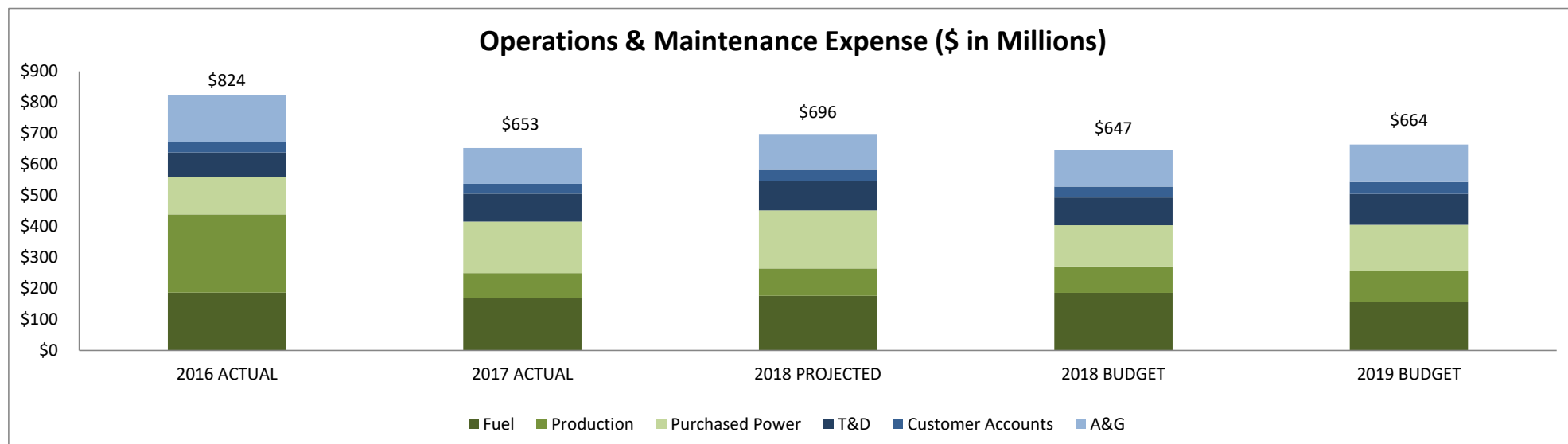
Administrative and general expense represents 18.2% of total O&M expense and is budgeted at \$120.7 million for 2019. This category reflects an increase of \$7.1 million or 6.2% more than the 2018 projected amount.

Decommissioning expenditures represents anticipated expenditures for decommissioning and is budgeted to be \$123.5 million in 2019.



**2019 CORPORATE OPERATING PLAN**  
**OPERATION AND MAINTENANCE EXPENSE AND DECOMMISSIONING EXPENDITURES**  
(DOLLARS IN THOUSANDS)

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	19 BUDGET VS. 18 PROJ.	
	2016	2017					2018	2018
FUEL	\$186,766	\$170,372	\$176,350	\$186,091	(\$9,741)	\$155,345	(\$21,005)	(11.9)
PRODUCTION	252,312	79,103	88,007	84,626	3,381	100,363	12,356	14.0
PURCHASED POWER	119,511	166,168	187,727	133,058	54,669	149,660	(38,067)	(20.3)
TRANSMISSION AND DISTRIBUTION	80,431	90,032	93,794	89,564	4,230	99,939	6,145	6.6
CUSTOMER ACCOUNTING AND SERVICES	31,924	32,008	36,311	35,329	982	37,789	1,478	4.1
ADMINISTRATIVE AND GENERAL	152,914	115,609	113,646	117,906	(4,260)	120,742	7,096	6.2
<b>TOTAL</b>	<b>\$823,858</b>	<b>\$653,293</b>	<b>\$695,835</b>	<b>\$646,575</b>	<b>\$49,260</b>	<b>\$663,837</b>	<b>(\$31,998)</b>	<b>(4.6)</b>
DECOMMISSIONING EXPENDITURES	\$19,701	\$118,882	\$95,000	\$136,188	(\$41,188)	\$123,533	\$28,533	30.0



NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.



# **2019 CAPITAL EXPENDITURE PLAN**



# **CAPITAL EXPENDITURES**

**2019 CORPORATE OPERATING PLAN  
CAPITAL EXPENDITURES**

Capital expenditures for 2019 are budgeted at \$200.0 million, which is \$90.0 million more than the 2018 projected capital expenditures.

Production Plant expenditures for 2019 are budgeted at \$42.8 million, which is \$20.8 million or 94.5% more than the 2018 projected expenditures.

Transmission and Distribution Plant expenditures for 2019 are budgeted at \$133.7 million, which is \$59.7 million or 80.7% higher than the 2018 projected expenditures.

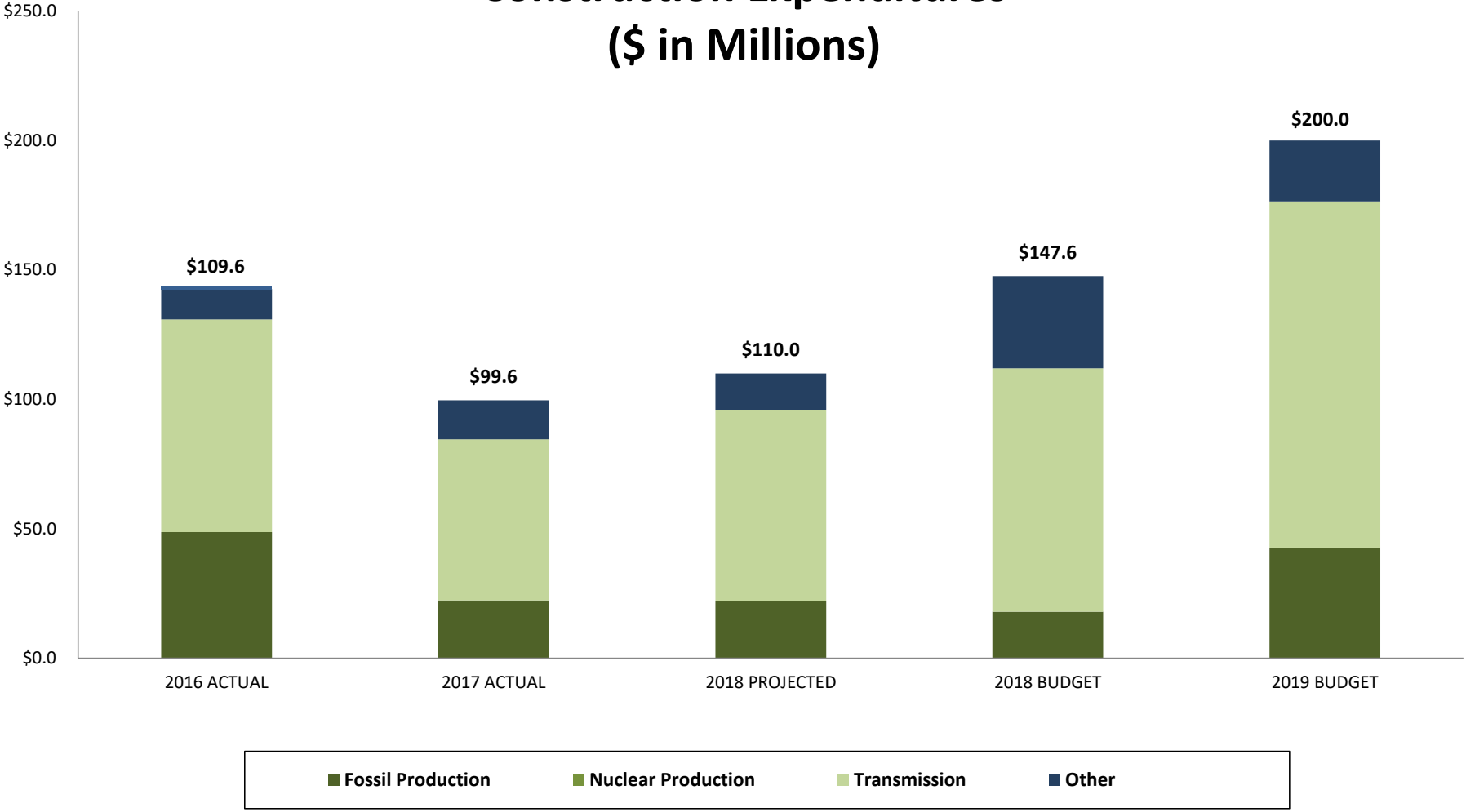
General Plant and other expenditures for 2019 are budgeted at \$23.5 million, which is \$9.5 million or 67.8% higher than the 2018 projected expenditures.

**2019 CORPORATE OPERATING PLAN**  
**CAPITAL EXPENDITURES**  
(DOLLARS IN THOUSANDS)

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	19 BUDGET VS. 18 PROJ.	
	2016	2017					2018	2018
PRODUCTION PLANT								
FOSSIL PRODUCTION	\$48,541	\$18,721	\$22,000	\$17,000	\$5,000	\$41,860	\$19,860	90.3
NUCLEAR PRODUCTION	0	0	0	0	0	0	...	...
OTHER PRODUCTION	182	3,603	0	1,000	(1,000)	930	930	0.0
PRODUCTION PLANT	\$48,723	\$22,324	\$22,000	\$18,000	\$4,000	\$42,790	\$20,790	94.5
TRANSMISSION AND DISTRIBUTION PLANT	\$82,145	\$62,280	\$74,000	\$94,000	(\$20,000)	\$133,721	\$59,721	80.7
GENERAL PLANT	\$9,702	\$12,966	\$14,000	\$34,149	(\$20,149)	\$23,489	\$9,489	67.8
REMOVAL AND SALVAGE	\$2,080	\$2,048	\$0	\$1,500	(\$1,500)	\$0	\$0	...
TOTAL	\$109,614	\$99,618	\$110,000	\$147,649	(\$37,649)	\$200,000	\$90,000	81.8

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

# Construction Expenditures (\$ in Millions)





**2019 CAPITAL EXPENDITURES**  
**SIGNIFICANT PROJECT DESCRIPTIONS AND HIGHLIGHTS**  
(Dollars in Thousands)

<b>RECOMMENDED PROJECTS:</b>	<b>2014-2018 Expenditures</b>	<b>2019 Budget</b>	<b>2020-2021 Projection</b>	<b>2014-2021 Project Expenditures</b>
<b>Construct New Substation</b> Build a 161/345kV substation to facilitate load growth.	\$711.2	\$21,939.7	\$1,083.8	\$23,734.6
<b>Substation Communications Fiber and Equipment</b> Expand OPPD Fiberoptics connectivity to replace the current analog communications services.	\$5,427.5	\$16,673.3	\$11,867.2	\$33,968.0
<b>New Transmission Line - Sarpy County</b> New transmission to support load growth and reliability.	\$2,341.7	\$12,650.0	\$709.8	\$15,701.5
<b>Nebraska City Station Unit 1 Finishing Superheater Replacement</b> The finishing superheater and the two outlet headers will be replaced to maintain unit reliability.	\$2,323.9	\$9,505.6	\$0.0	\$11,829.5
<b>Customer Service Commercial and Industrial Project</b> Purchase and installation of underground or overhead infrastructure for commercial and industrial customers.	\$31,272.8	\$7,276.6	\$15,966.9	\$54,516.3
<b>Nebraska City Station Unit 2 Lime Optimization</b> NC2 utilizes a Spray Dryer Absorber (SDA) system to meet EPA regulations which limit SO2 emission. This project will optimize lime usage improving plant process controls and the ash recycling system.	\$797.6	\$6,779.7	\$566.0	\$8,143.4
<b>Customer Service Residential Project</b> Purchase and installation of underground or overhead infrastructure to new residential developments.	\$29,134.7	\$6,716.5	\$14,712.9	\$50,564.0
<b>Transmission and Distribution Street &amp; Highway Project</b> Relocation of OPPD transmission and distribution facilities that are located in public road right-of-way.	\$32,477.7	\$6,375.4	\$13,988.5	\$52,841.5

**2019 CAPITAL EXPENDITURES**  
**SIGNIFICANT PROJECT DESCRIPTIONS AND HIGHLIGHTS**  
(Dollars in Thousands)

<b>RECOMMENDED PROJECTS:</b>	<b>2014-2018 Expenditures</b>	<b>2019 Budget</b>	<b>2020-2021 Projection</b>	<b>2014-2021 Project Expenditures</b>
<p><b>Light Emitting Diode Streetlight Conversion</b>  The conversion of streetlights to a Light Emitting Diode (LED) standard.</p>	\$0.0	\$5,845.1	\$21,898.5	\$27,743.6
<p><b>13kv Line and Substation Transformers</b>  Overhead and surface mount transformers on the distribution system required due to failure or system expansion.</p>	\$28,138.7	\$5,563.5	\$10,919.0	\$44,621.3
<p><b>Transmission Distribution Improvement Program-Cable Replacement</b>  This project replaces the worst performing underground distribution cable on a performance driven basis. The project in 2018 will focus on planned rural replacement of 46 miles of distribution wire in the North and South Rural areas.</p>	\$8,537.1	\$5,472.3	\$11,986.4	\$25,995.8
<p><b>Expand Substation for the Sarpy Transmission Project</b>  This expansion is required to support the installation of the Sarpy Transmission Project (STP) line as a 161/345Kv line to provide for expected area load growth.</p>	\$811.4	\$5,309.0	\$263.5	\$6,383.9
<p><b>Nebraska City Station Unit 1 Furnace Front Lower Slope</b>  To restore the lower slope to the original configuration and provide a tubing slag protection device to prevent future tube failures.</p>	\$630.1	\$4,279.2	\$0.0	\$4,909.3
<p><b>Purchase Spare Autotransformers</b>  Purchase spare 345KV/161KV autotransformers to support the Transmission and Distribution system.</p>	\$346.0	\$3,991.5	\$3,327.3	\$7,664.9
<p><b>Replace Substation Autotransformer</b>  System transformer located at a substation on the bulk electric system is showing signs of failure and is to be replaced.</p>	\$365.6	\$3,391.2	\$0.0	\$3,756.8

**2019 CAPITAL EXPENDITURES**  
**SIGNIFICANT PROJECT DESCRIPTIONS AND HIGHLIGHTS**  
(Dollars in Thousands)

<b>RECOMMENDED PROJECTS:</b>	<b>2014-2018 Expenditures</b>	<b>2019 Budget</b>	<b>2020-2021 Projection</b>	<b>2014-2021 Project Expenditures</b>
<b>Upgrade Intranet Customer Information System</b> Information technology software upgrade for the Intranet Customer Information System.	\$0.0	\$3,358.8	\$5,211.5	\$8,570.3
<b>Upgrade Energy Management Hardware and Operating System</b> Upgrade the Energy Management System (EMS) that provides our situational awareness for Operations and Generation to monitor and support our electrical grid.	\$0.0	\$3,311.3	\$2,573.4	\$5,884.7
<b>Transmission Distribution Improvement Program-Distribution Poles</b> This project replaces distribution poles in conjunction with the ongoing Transmission and Distribution System Improvement Projects.	\$7,186.6	\$3,036.3	\$8,529.7	\$18,752.6
<b>Nebraska City Station Unit 1 Functional Work</b> Nebraska City Unit 1 repairs from plant equipment as required for reliability and maintenance.	\$12,718.9	\$2,923.7	\$6,464.4	\$22,107.0
<b>Uprate to a circuit in Sarpy County</b> This curcuit requires an uprate to serve growing load.	\$695.5	\$2,741.3	\$0.0	\$3,436.9
<b>Nebraska City Station Unit 2 Functional Work</b> Nebraska City Station Unit 2 repairs from plant equipment as required for reliability and maintenance.	\$10,271.0	\$2,726.0	\$6,024.6	\$19,021.7
<b>Transmission and Distribution Street Lights</b> Relocation, reinstallation and installation of OPPD streetlight facilities that are located in public road right-of-way.	\$12,970.3	\$2,718.7	\$5,950.1	\$21,639.1
<b>Nebraska City Station Mill Explosion Suppression</b> Safety upgrade to coal pulverizer equipment for the Nebraska City Stations.	\$0.0	\$2,686.0	\$3,525.4	\$6,211.5

**2019 CAPITAL EXPENDITURES**  
**SIGNIFICANT PROJECT DESCRIPTIONS AND HIGHLIGHTS**  
(Dollars in Thousands)

<b>RECOMMENDED PROJECTS:</b>	<b>2014-2018 Expenditures</b>	<b>2019 Budget</b>	<b>2020-2021 Projection</b>	<b>2014-2021 Project Expenditures</b>
<p><b>Installation of an Autotransformer at a Substation</b>  Expansion to accommodate the Sarpy Transmission Project (STP) by installing a new auto transformer at a substation to supply the 69kV system.</p>	\$1,023.9	\$2,495.9	\$0.0	\$3,519.7
<p><b>North Omaha Station Functional Work</b>  North Omaha Station repairs from plant equipment as required for reliability and maintenance.</p>	\$11,327.3	\$2,282.7	\$5,044.7	\$18,654.7
<p><b>Enhance Physical Security</b>  Enhance physical security controls and monitoring at various locations and facilities.</p>	\$0.0	\$2,267.0	\$0.0	\$2,267.0
<p><b>Medium/Heavy Truck Replacement</b>  Routine replacement of medium and heavy duty trucks.</p>	\$14,800.6	\$2,067.5	\$7,452.6	\$24,320.7
<p><b>Data Center Network Upgrades</b>  Information Technology network modernization program to upgrade network equipment throughout the district.</p>	\$0.0	\$2,038.1	\$0.0	\$2,038.1
<p><b>Asset Suite Upgrade</b>  Information Technology upgrade to the enterprise financial software that is used to manage business functions such as procurement, contract management, payables management, parts inventory tracking, etc.</p>	\$1,888.3	\$2,001.1	\$0.0	\$3,889.3
<p><b>UCC Enterprise Conference Platform</b>  Replace the existing conferencing platform with a next generation display, video, and collaboration platform.</p>	\$0.0	\$1,814.2	\$3,098.9	\$4,913.2

**NewGen Strategies and Solutions, LLC**

**REVIEW**





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December 13, 2018

Board of Directors  
Omaha Public Power District  
444 South 16th Street Mall  
Omaha, Nebraska 68102

**Subject: Review of Omaha Public Power District, 2019 Corporate Operating Plan**

Dear Members of the Board:

As requested by the Board of Directors and Management of the Omaha Public Power District (the District), **NewGen Strategies and Solutions, LLC (NewGen)** has reviewed the 2019 Corporate Operating Plan prepared by the District, and is providing this letter report to comply with this request. The purpose of this review was to provide an independent, high-level assessment of the District's operating and financial projections for 2019.

In performing our review, we evaluated the 2019 Corporate Operating Plan for consistency with prudent utility practices, and the reasonableness of the budget estimates established. Our review was based on input received from the District's staff, and comparisons to actual data for the period 2006 through 2017 and the ten months actual/two months projected data for the year 2018. We also reviewed the major assumptions used in developing the 2019 Corporate Operating Plan.

The District's planning process includes various components, the results of which were incorporated into the development of the 2019 Corporate Operating Plan. NewGen reviewed each of the following forecasts, plans, and budgets at a summary level, in support of our overall review of the 2019 Corporate Operating Plan:

**Load Forecast** – The District's load forecast provides a projection of the District's customer loads, system peak demand and energy requirements, which serves as a basis for establishing the estimated revenues the District will receive from the sale of such customer loads and the associated power supply expense the District will incur in supplying such load, system peak demand and energy requirements. The load forecast also serves as a basis for the planning of future power supply resources needed by the District. The forecast of general energy sales and peak demand for 2019 was compared to the actual trend of the last several years.

**Revenue Forecast** – The revenue forecast provides a projection of the estimated revenues to be received by the District for 2019. The estimated revenues are developed by applying anticipated base retail service rates, to forecasted energy sales by rate classification with no assumed increase in electric rates and including the Fuel and Purchase Power Adjustment. In our review of the estimated general business revenues we compared the estimated revenues for 2019 with the actual/projected revenue for 2018.

Projected average retail revenues, on per kilowatt-hour basis, for residential sales and for total projected general business sales were compared to prior year averages and to national industry projections.

**Integrated Resource Plan** – The integrated resource plan is prepared as part of the District’s contractual commitment to the Western Area Power Administration and provides the optimum resource expansion plan to meet the District’s forecasted demand and energy requirements. The integrated resource plan incorporates least-cost planning methodology that utilizes the operating costs of the existing system in combination with projected cost for new supply-side and demand-side resource options. The resulting balance of loads and resources schedule from the current integrated resource plan was compared with the corresponding schedule from the prior year’s integrated resource plan.

**Generation Plan** – The generation plan provides the basis for projecting fuel and other production expenses. The generation plan is based on a comparison of the forecasted net system energy requirements and the expected capability of the District’s electric generating facilities to produce those requirements. This is accomplished by using PROMOD which is an economically dispatched program that determines the estimated generation of each of the District’s resources used to meet the system energy requirements. The generation plan was reviewed against the balance of loads and resources projections from the integrated resource plan. The generation plan was also compared to actual/projected generation levels for 2018 and prior years and planned maintenance outages scheduled for the District’s generating units for 2019.

**Fuel Plan** – The fuel plan provides the projections of the costs of acquiring, coal fuel, natural gas, and oil. The amount and the estimated fuel expenses related to all fuels used for generation by type are based on the generation plan, and fuel contracts. The projected fossil fuel inventory levels, per-unit fuel acquisition costs, and per-unit expenses associated with the fuel projected to be consumed for 2019 were compared to actual/projected levels for 2018 and prior years.

**Operation and Maintenance Expense Budget** – The operation and maintenance expense budget provides estimates of non-fuel operation and maintenance expenses related to the power supply, transmission and distribution, customer service, and administration functions. The operation and maintenance expense budget is compiled based on the District’s staffing plan and responsibility area budget. The estimates for operation and maintenance expenses for 2019, by functional areas and in total, were compared on an average cost per kilowatt-hour basis to the actual/projected levels for 2018 and prior years.

**2019 Capital Expenditure Plan** – The Capital Expenditure Plan provides for estimates of planned expenditures, including related overheads, for replacements, improvements and additions to production plant, additional power supply, transmission and distribution plant, and general plant facilities and equipment, as required to keep providing reliable and economical power supply and delivery to the District’s customers. The capital expenditures planned for 2019 were compared by major category, as well as in total, to corresponding capital expenditures for 2018 and prior years. NewGen’s review of the 2019 Capital Expenditure Plan was made without a detailed analysis of the design criteria used in preparing the budget cost estimate for each individual project.

**Fort Calhoun Decommissioning** – The District’s Board of Directors approved Management’s recommendation that the District cease generation of electricity at the Fort Calhoun Station (FCS) by the end of 2016. On October 24<sup>th</sup> FCS ceased operations and decommissioning began in November. The District’s management concluded that continuing to operate FCS would result in costs in excess of obtaining power from other sources and is expecting to avoid the need for future general rate increases through 2021.



NewGen, in its review, found that the process followed by the District in developing the 2019 Corporate Operating Plan appears to be well organized. The 2019 Corporate Plan represents a compilation of the individual operating and capital expenditures budgets of the various responsibility areas throughout the District. It is our understanding that the 2019 Corporate Operating Plan has been reviewed and approved by the District's senior management.

It is NewGen's opinion that the major assumptions upon which the 2019 Corporate Operating Plan is based are reasonable and provide an indication of the District's requirements for 2019. The expenditures anticipated by the District are reasonable and are the type that would be expected by a utility following prudent utility practices.

It is also NewGen's opinion that:

The methods used to forecast future customer loads and system peak demand and energy requirements reflect acceptable and defensible methods currently being used in the electric utility industry and the resulting load forecast developed by the District's staff appears reasonable. The District's load forecast appears reasonable when compared with national and regional load forecasts, given the anticipated growth in residential and commercial loads.

The revenue forecast prepared by the District fairly represents the revenue that can be expected in 2019 given the load forecast and current rate levels without any assumed electric rate increase and the Fuel and Purchase Power Adjustment. The District's average retail rates are expected to remain below the national averages during 2019.

The methods utilized by the District in developing the integrated resource plan is based on sound planning practices and strategies, and reflect reasonable assumptions considering the changing electric utility industry.

The generation plan prepared by the District is consistent with other assumptions made in the 2019 Corporate Operating Plan. The effective management and scheduling of maintenance outages by the District provides for efficient utilization of its generating resources, and allows the District to increase its off-system sales when other utilities have their units down for scheduled maintenance.

The fuel plan budgeting process reflects acceptable methods currently being used in the electric utility industry and the resulting expenditures for fossil fuels appear to be reasonable and necessary for the ongoing operation of the District's generating resources. The projected inventories of fossil fuels are reasonable given the requirements of the District and general industry practices. The effective acquisition and use of fossil fuels has allowed the District to maintain relatively low fuel costs and be comparable with other regional utilities.

The operation and maintenance expense budget for 2019 appears reasonable compared to the current and recent expenses by functional areas and in total.

The planned replacements, improvements and additions for 2019 which are reflected in the 2019 Capital Expenditure Plan will be advantageous to the District's electric system and its customers in maintaining reliable electric service.

It is NewGen's opinion that the assumptions upon which the District's management arrived at for the recommendation to decommission FCS are not unreasonable. NewGen's review of the decommissioning of FCS was made without a detailed analysis.

The projected financial results reflected in the 2019 Corporate Operating Plan provide for the accomplishment of the District's minimum performance objectives for debt service coverage, fixed charge ratio and debt/equity ratio.

The District is continuing to develop and implement strategies to optimize efficiency of operations, minimize costs and enhance customer value.

Based on our review, NewGen recommends that the District's prepared 2019 Corporate Operating Plan be approved. It is our opinion that the 2019 Corporate Operating Plan is a valuable tool to assist the Board of Directors and management in the efficient operation of the District. By combining the individual operating and capital expenditures budgets of the various responsibility areas throughout the District into a single planning document assures that a consistent approach is being taken in managing all areas of the utility. The 2019 Corporate Operating Plan recognizes the interrelationships between the various responsibility areas throughout the District and displays the need to approach planning on a system-wide basis.

In preparation of this letter report NewGen used the information provided to us by the District and others to make certain assumptions with respect to conditions which may occur in the future. While we believe these assumptions are reasonable for the purpose of this review of the operating results contained in the 2019 Corporate Operating Plan of the District, the assumptions are dependent upon future events, and, therefore, actual conditions may differ from those assumed. While we believe the sources we relied upon in our review to be reliable, we have not independently verified the information and offer no assurances with respect thereto. To the extent that actual conditions differ from those assumed by us from information provided to us by the District or others, the actual results will vary from those projected.

We appreciate the opportunity to serve the District. If you should have any questions concerning this review, we would be glad to discuss them with you at your convenience.

Sincerely,

**NewGen Strategies and Solutions, LLC**



Gordon L Vanek  
Senior Consultant