

## Frequently Asked Questions

### 1. Why did OPPD restructure its rates for residential and small commercial customers?

The previous rate structure worked well for decades because customers relied on OPPD for all of their electricity service needs and energy usage grew consistently each year. Today, our customers' energy consumption has leveled off because of increased energy awareness, the improvements in energy efficiency of their appliances, and the impacts of new technologies. Our customers are using electricity differently than they have in the past, and energy use will continue to evolve as they adopt new technologies.

OPPD continues to promote and reward customers for managing their energy usage. Most of OPPD's revenue is based on our customers' energy consumption. However, only about thirty percent of OPPD's costs change when our customers' energy usage changes. Thus, when their energy use falls, our revenue decreases more dramatically than our costs. The proposed rate structure more closely aligns the price of our energy services to their costs.

### 2. Why was it the right time to implement a restructuring?

The decrease in energy usage resulting from the implementation of new technology and changes in consumer behavior has been more pronounced in other areas of the country. Energy providers in those regions have been forced to react to this new dynamic and change their pricing after many customers have made investment decisions regarding new technologies.

OPPD has begun seeing similar changes in energy usage across our service territory, and we wanted to proactively address the issue. By better aligning our rates for our energy services and the costs of providing them, our customers will be able to make better decisions. Customers investing in energy efficiency measures and technologies will see rates that better reflect the actual costs of providing their electrical service. With a restructured rate, customers will be able to better understand the actual savings that result from their potential energy investments.

### 3. Is OPPD's new service charge different from other utilities?

Many utilities are pursuing or have pursued initiatives to restructure rates. Locally, the current monthly residential fixed charge for Nebraska Public Power District (NPPD) is \$22.50. Lincoln Electric System (LES) recently implemented a tiered fixed charge ranging from \$20.00 to \$38.75 which includes a fixed customer charge and a fixed facility charge which is based on average monthly usage. OPPD's current residential fixed charge increased to \$30.00 in 2019.

#### 4. How does this rate restructure impact me? Will my bill increase/decrease?

The following information is based on the rate-restructuring proposal that was discussed at the OPPD Board of Directors meeting on Nov. 12, 2015.

The new rate structure would have higher fixed charges and lower variable charges. This change would not bring OPPD additional revenue but would more closely align the price of our energy services to actual costs. The restructure would impact people differently based on each person's individual usage characteristics.

Generally speaking, low users would see a net increase in their bills, average users would see little or no change and high users would see a net decrease. The following are general guidelines that define each of these three categories:

- Low User: an average monthly bill of less than \$80 (less than \$125 in the summer and less than \$70 in most of the other months).
- Average User: an average monthly bill between \$80 and \$125 (between \$125 and \$175 in the summer and \$70-\$100 in most of the other months).
- High User: an average monthly bill of more than \$125 (generally above \$175 in the summer and above \$100 in most of the other months).

The rate restructuring would result in most customers with high or low usage experiencing a \$5 to \$15 difference in their bill.

#### 5. If this change doesn't bring more revenue to the District, what are the benefits to OPPD?

The rate restructure provides OPPD with reduced variability in its revenue and would more accurately reflect the cost of providing reliable electric service to our customers. Changing the way we price energy allows customers to continue to use our services in the way they most prefer while helping OPPD maintain its financial stability.

#### 6. What is the difference between fixed and variable costs?

OPPD's costs can be broken down into two categories: variable and fixed. OPPD's variable costs are fuel and purchased power, which vary with how much energy customers use. OPPD's fixed costs are for infrastructure, like transmission and distribution lines, substations, transformers, circuits, feeders, meters, and employees. OPPD incurs these costs, no matter how much energy is used.

Similarly, the bill you pay is made up of two charges. However, while approximately 70 percent of OPPD costs are fixed, under OPPD's previous residential rate structure only 10 percent of the average residential bill was. With the rate restructure, roughly 30 percent of the average customer bill accounts for fixed costs, resulting in an improved alignment of rates and costs.

**7. How does this rate restructure affect customers with low incomes?**

The following information is based on the rate-restructuring proposal that was discussed at the OPPD Board of Directors meeting on Nov. 12, 2015.

Customers' needs and behavior are the primary factors that will determine if they would see an increase or a decrease in their bills. Some low income customers have high usage and would see a bill decrease; we estimate that 40 percent of the low income group would see a benefit or little to no change with the restructure. However, we recognized that many low income households would see higher bills under a restructure and implemented a bill credit program for low usage, low income customers to help with the transition to the new rate structure.

In the meantime, OPPD's existing Energy Assistance Program (EAP) helps disadvantaged families pay energy-related expenses. If you or someone you know has difficulty paying for their bill at any point, or if you are interested in supporting the EAP, you can find more information at [energy assistance programs](#).

**8. Does the restructure negatively impact me for using less energy?**

The rate restructure is not designed to discourage customers from using less energy. Within a new structure at least two-thirds of the average residential customer's bill would still be based on the amount of energy they use. As a result, customers are still able to lower their bills by reducing usage.

**9. I am considering installing solar panels and/or wind generation at my home. How would this affect me?**

Because the fixed portion of the bill is increasing, customers who wish to install solar or wind to meet part of their energy needs would see an increase in the payback period associated with recovering their investment. Some of those who oppose the increases in the fixed portion of the bill contend that utilities are discouraging distributed generation with these changes. However, the higher service charge does a better job of making sure all customers equitably pay for the costs of supporting them through OPPD's power grid.

The question of how to most appropriately value the costs and benefits of distributed generation has created a significant amount of discussion across the country. Public service commissions in several states are closely examining this issue. OPPD will continue to monitor developments and determine if an update to our current net metering rate structure for distributed generation customers is warranted.

**10. What is OPPD doing to cut their fixed costs?**

In an additional effort to keep our service affordable for our customers, at the beginning of 2015 we kicked off a corporate—wide initiative to evaluate all of our costs and make recommended changes. We are committed to reducing our costs significantly while keeping our customers and their needs at the forefront. This cost-cutting initiative is necessary to support a goal to bring our rates to 20 percent below the regional average. In 2016 OPPD committed to no general rate increase for the following five years and is currently working hard to meet that objective.

**11. I need help paying my bill. What do I do?**

Learn more about our [Assistance Programs](#).

**12. Can't OPPD get the funding it needs from somewhere else?**

OPPD makes every effort to maximize other sources of revenue. We implement practices to generate revenue like selling excess energy on the wholesale market.

**13. Is the rate restructure the same as a rate increase?**

No, it is not. With a rate increase, everyone's bill increases in order for the company to bring in additional revenue to pay for higher costs.

With this restructure, the fixed portion of the bill increases and the variable portion decreased. As a result, about one-third of our customers see a bill increase, one-third would see a decrease and the remaining one-third would see little or no change. The restructure is "revenue neutral" to OPPD – it is designed so that the total amount of revenue collected from the residential and small commercial classes remains the same.

**14. Will this prevent future rate increases?**

No, a rate increase and a rate restructure are two different things. There are a number of factors that determine the need for a rate increase that this restructure does not address.

**15. How can I reduce usage and decrease my bill?**

OPPD has many programs available to help you reduce your usage and manage your bill. You can find more information on OPPD's [Energy-Saving Tools](#) webpages.

**16. Why aren't larger businesses a part of the restructure?**

Because of their complexity, larger businesses have a completely different structure for their bill.

On average, the fixed portion of larger businesses' bills is roughly 40 percent of the total. With the rate restructure, the fixed portion of the average residential customers' bill went from 10 percent to 30 percent, which is more consistent with that of larger businesses.