2022 Final Corporate Operating Plan (COP) & Rate Action Highlights

Board of Directors
All Committees Meeting
December 14, 2021
Corporate Operating Plan
Updates from the Preliminary Plan

• Expected adjustments:
  – Each year between the Preliminary and Actual COP drafts, the organization evaluates the need for COP updates as a result of having more information between October and November.
  – Typically updates are made to the COP to reflect business decisions (e.g. November Board resolutions) and updated starting balances impacted by October actual results.

• 2022 COP Updates:
  – Updates have been made to the 2022 Final COP to reflect updates related to having one more month of 2021 actuals for improved 2022 modeling.
  – Retail Revenues related to the proposed rate action were split into the corresponding customer class.

• Comparisons:
  – The COP Book was updated to compare 2022 vs 2021 actuals through October plus two months of forecast.
## Corporate Operating Plan
### 2022 Strategic Initiative Funding

<table>
<thead>
<tr>
<th>INITIATIVE</th>
<th>O&amp;M FUNDING*</th>
<th>CAPITAL FUNDING*</th>
<th>TOTAL Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pathways to Decarbonization</td>
<td>$600,000</td>
<td></td>
<td>$600,000</td>
</tr>
<tr>
<td>Electric System Evaluation &amp; Modernization</td>
<td>$800,000</td>
<td></td>
<td>$800,000</td>
</tr>
<tr>
<td>Customer Engagement</td>
<td>$2,000,000</td>
<td>$1,010,000</td>
<td>$3,010,000</td>
</tr>
<tr>
<td>Business Technology Platform</td>
<td>$5,200,000</td>
<td>$1,211,750</td>
<td>$6,411,750</td>
</tr>
<tr>
<td>Workplace Transformation</td>
<td>$600,000</td>
<td></td>
<td>$600,000</td>
</tr>
<tr>
<td><strong>TOTAL Strategic Initiatives</strong></td>
<td><strong>$9,200,000</strong></td>
<td><strong>$2,221,750</strong></td>
<td><strong>$11,421,750</strong></td>
</tr>
</tbody>
</table>

*Values are incremental to the standard budget allocations*
## 2022 Rate Changes

### Proposed Percent Increase by Customer Class

<table>
<thead>
<tr>
<th>Proposed Increase*</th>
<th>Residential</th>
<th>Commercial</th>
<th>Industrial</th>
<th>Lighting</th>
<th>Wholesale</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Increase*</td>
<td>3.2%</td>
<td>0.9%</td>
<td>3.2%</td>
<td>2.5%</td>
<td>0%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proposed Revenue Increase ($ Millions)</th>
<th>Residential</th>
<th>Commercial</th>
<th>Industrial</th>
<th>Lighting</th>
<th>Wholesale</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Revenue Increase ($ Millions)</td>
<td>13.49</td>
<td>2.81</td>
<td>9.26</td>
<td>0.43</td>
<td>0.00</td>
<td>$25.99</td>
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</tbody>
</table>

- **Other Rate Actions:**
  - All of the other rate actions and rate change details are as presented in the red-lined version of the Service Regulations and Schedules.

- **Fuel & Purchased Power Adjustment (FPPA):**
  - Starting in 2022 the FPPA formula will include revenue that results from excess energy sales into the Southwest Power Pool (SPP).
  - The change in formula does not generate a rate increase or decrease in and of itself and the Fuel and Purchase Power adjustment factor on the bill will remain unchanged in 2022.

*This is an average increase at the customer class level. Rates within the class will have varying increases. Customers within each rate will have varying increases.*
Rate Increase Drivers

Strategic Transformation Increases O&M:
- Technology, Property and Preparedness:
  - Technology Platform Strategic Initiative
  - Evaluating the District’s facilities for the future workforce
- Customer Service:
  - Customer Engagement for the Future Strategic Initiative
  - Pilot project regarding energy burden project solutions
- Energy Delivery:
  - Electrical Systems Evaluation & Modernization Strategic Initiative
  - Asset Health Monitoring Program to better manage and reduce asset failures
  - Hiring of new team members to keep up with large infrastructure projects
  - All-time highest vegetation management (tree trimming) budget in OPPD history
- Energy Production:
  - Planned Outages
  - Resources to support the Decarbonization Strategic Initiative

2021 Budget 2022 Budget

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel</td>
<td>$102</td>
<td>$109</td>
</tr>
<tr>
<td>Purchased Power</td>
<td>$112</td>
<td>$128</td>
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<tr>
<td>A&amp;G</td>
<td>$144</td>
<td>$144</td>
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<tr>
<td>T&amp;D</td>
<td>$223</td>
<td>$228</td>
</tr>
<tr>
<td>Production</td>
<td>$143</td>
<td>$148</td>
</tr>
<tr>
<td>Customer</td>
<td>$144</td>
<td>$46</td>
</tr>
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</table>

$ Millions
Independent Reviews

Summary

• Corporate Operating Plan:
  – “The expenditures anticipated by the District are reasonable and of the type that a utility following prudent utility practices would expect.”

• Rate Action:
  – “We find the proposed rate changes to be fair, reasonable, and nondiscriminatory.”
Corporate Operating Plan

Summary

- Advances OPPD’s Mission: “Provide affordable, reliable and environmentally sensitive energy services to our customer-owners.” (SD-1)
Selected Cost Saving Efforts
OppD's Finance team continues to achieve savings through senior and subordinate bond refundings.

For the period of 2016 through 2021, the District achieved net present value savings of approximately $82.5 million on senior debt transactions.

In addition, the District anticipates a net present value savings of approximately $41.2 million after refunding subordinate debt with commercial paper in 2019 and 2020. Since commercial paper has varying interest rates, the exact savings will not be known until it is realized.
Continuous Improvement Culture
Creating a Lasting Impact

• OPPD has cultivated a culture of continuous improvement where employees across all areas and levels of the organization are engaged in cost and process efficiency efforts.

• Over the last three years, Continuous Improvement has helped initiate approximately 340 completed projects, which provided organizational efficiency gains of approximately 46 thousand person-hours and approximately $12 million dollars of value to OPPD.

• 2021 Project Example:
  – Rural Reliability – Circuit Ties with neighboring Utilities
  – Projected 2021 Savings/Avoided Cost ~$1.0 million
  – Explored and utilized options with neighboring utilities to create circuit ties that will improve reliability and provide load support for special projects (e.g. substation outages)