Monitoring Report
SD-2: Rates
Finance Committee
June 13, 2023

Jeff Bishop, Vice President – Financial Services & CFO
SD-2: Rates
Strategic Directive

On December 2022, the Board of Directors approved a revised version of SD-2. In implementing this directive, OPPD shall:

- Maintain fair, reasonable, and non-discriminatory rates as stated in Nebraska Revised Statute 70-655;
- 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; and
- Pursue a directional rate target of 10% below average published rates of seven states in the North Central Region on a system average basis.
SD-2: Rates
Directional Rate Target

• Comparison against the North Central Region:
  – North Central Region, as defined by OPPD, is the region made up of the following seven states: Illinois, Iowa, Indiana, Kansas, Missouri, Nebraska and South Dakota.
  – Comparison is done on a System Average Basis: Total revenue billed to retail customers divided by total kWh sold to retail customers. The result is measured in cents per kWh.
  – OPPD will continue to use data from the Energy Information Administration’s (EIA)

• Directional goal of 10% below the North Central Region average rates
  – The no general rate increase from 2017 – 2021 was an important step in keeping our rates below regional average.
  – This presentation includes metrics from 2021. While the no general rate increase language was removed from SD-2, the metrics in the presentation are within the time period of the no general rate increase.
Directional Rate Target

North Central Region* Average Rates All Rate Classes (¢/kWh)
Data from EIA- Electric Sales, Revenue, and Average Price

OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

OPPD 19.4% below national average

* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota
SD-2: Rates
Directional Rate Target

North Central Region* Average Residential Rates (¢/kWh)
Data from EIA- Electric Sales, Revenue, and Average Price

* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota
SD–2: Rates
Directional Rate Target

North Central Region* Average Commercial Rates (¢/kWh)
Data from EIA- Electric Sales, Revenue, and Average Price

* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota
SD-2: Rates
Directional Rate Target

North Central Region* Average Industrial Rates (¢/kWh)
Data from EIA- Electric Sales, Revenue, and Average Price

5.38
(11.9%)

6.12
(9.2%)

6.32
(10.9%)

6.20
(14.1%)

* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota
SD-2: Rates
Fair, Reasonable, and Non-Discriminatory

• Maintain fair, reasonable and non-discriminatory rates as stated in Nebraska Revised Statute 70-655
  – An industry standard Cost of Service Study (COSS) is completed to align rates with cost drivers.
    • Continually evaluating allocations based on changes within the organization and industry.
    • Costs are allocated across classes according to their unique energy usage characteristics.
  – The rate setting process is reviewed by an outside consultant (The Brattle Group).

• In 2022, OPPD started the Rate Design Project.
  – Phase 1 of this engagement and outreach process aims to:
    • Align rate principles with the input that was received from customers and the board
    • Develop a high-level roadmap for rate design
  – Through 3 board workshops held, the Board of Directors had the opportunity to discuss and review OPPD’s rate principles.
**SD–2: Rates**

Cost Assignment Across and Within Classes

• Equitably assign costs across and within all customer classes.
  – *Equitable assignment of costs within rate classes is dependent on rate structure, metering technology, and customer homogeneity.*

<table>
<thead>
<tr>
<th></th>
<th>Industrial</th>
<th>Commercial</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Costs*</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Energy Costs</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Demand Costs*</td>
<td>☑</td>
<td>Partial</td>
<td>Partial</td>
</tr>
</tbody>
</table>

*Service charge recovers a portion of the customer and distribution related costs for small commercial and residential rate classes*
SD-2: Rates
Monitor Affordability Indicators

North Central Region* Average Residential Bill ($/Month)
Data from EIA - Electric Sales, Revenue, and Average Price

- OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

<table>
<thead>
<tr>
<th>Year</th>
<th>OPPD</th>
<th>Compared to Region</th>
<th>Compared to U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$98.06</td>
<td>0.2%</td>
<td>-8.6%</td>
</tr>
<tr>
<td>2013</td>
<td>$103.60</td>
<td>4.5%</td>
<td>-6.1%</td>
</tr>
<tr>
<td>2014</td>
<td>$100.37</td>
<td>-3.3%</td>
<td>-12.0%</td>
</tr>
<tr>
<td>2015</td>
<td>$99.70</td>
<td>-2.9%</td>
<td>-12.6%</td>
</tr>
<tr>
<td>2016</td>
<td>$106.43</td>
<td>0.9%</td>
<td>-5.5%</td>
</tr>
<tr>
<td>2017</td>
<td>$103.82</td>
<td>-0.3%</td>
<td>-7.0%</td>
</tr>
<tr>
<td>2018</td>
<td>$107.64</td>
<td>-3.8%</td>
<td>-8.5%</td>
</tr>
<tr>
<td>2019</td>
<td>$104.77</td>
<td>-2.6%</td>
<td>-9.3%</td>
</tr>
<tr>
<td>2020</td>
<td>$105.82</td>
<td>-1.8%</td>
<td>-9.9%</td>
</tr>
<tr>
<td>2021</td>
<td>$104.99</td>
<td>-5.0%</td>
<td>-13.2%</td>
</tr>
</tbody>
</table>
SD-2: Rates
Monitor Affordability Indicators

- Median Household Income Data from US Census, ACS-5Y
- Electricity Data from EIA Annual Electric Utility Data

- 156% percent increase in annual assistance funding since 2019
- 67% increase in amount of customers receiving assistance
- Increase has mitigated the impact of the pandemic on affordability
SD-2: Rates
Cost of Energy When Used

• Pursue rate process and structure changes to reflect the cost of energy when it is used:
  – Residential and Small Commercial Rates include a seasonal energy charge: Summer being June through September and Non-Summer being October through May.
  – Currently, time of use rates are available through Rider Schedule No. 469 - General Service- Time of Use.
  – Fuel and Purchase Power is calculated based on seasonal energy prices reflecting the cost of the energy when it is expected to be used.
  – In 261M rate (Large Power – High-voltage Transmission Level – Market Energy) energy is priced hourly at the SPP market price.
  – OPPD will continue to evaluate more advanced rate structures as AMI and other technologies are monitored and implemented.
SD–2: Rates
Flexibility and Options

- Offer flexibility and options
  - The following options exist to increase flexibility and options for interested and eligible customers.
  - OPPD is continuously working toward future rate, product, and service offerings to meet the needs of customers.

<table>
<thead>
<tr>
<th>Residential</th>
<th>General Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heat Pump</td>
<td>261M</td>
</tr>
<tr>
<td>Private Outdoor Lighting</td>
<td>Street Lights</td>
</tr>
<tr>
<td>Cogeneration and Small Power*</td>
<td>Cogeneration and Small Power*</td>
</tr>
<tr>
<td>Surge Guard*</td>
<td>Surge Guard*</td>
</tr>
<tr>
<td>Net Metering*</td>
<td>Net Metering*</td>
</tr>
<tr>
<td>Community Solar*</td>
<td>Community Solar*</td>
</tr>
</tbody>
</table>

* Denotes Rider
SD–2: Rates
Simple and Easy to Understand

• Be simple and easy to understand
  – In 2022, board workshops were held as part of the Rate Design Project that provided the board and the public additional education on the following topics:
    • Rate Setting Principles
    • Cost of Service Analysis
    • Rate Design
    This information is available through OPPD Community Connect.
  – In 2022, Corporate Communications used broad communication channels such as Outlets, The Wire, social media and oppd.com to educate customers about the change to the FPPA. Topics included:
    • General bill components
    • What is the FPPA line item?
    • Bill impact of FPPA change
  – The Residential Rates and Business Rates web pages at oppd.com were updated to reflect recent changes and to expand on education related to costs and bill components.
Recommendation

- The Finance Committee has reviewed and accepted this Monitoring Report for SD-2 and recommends that the Board find OPPD to be sufficiently in compliance with Board Policy SD-2.
Any additional reflections on what has been accomplished ...

... or challenges or gaps