



# Reporting Item

## BOARD OF DIRECTORS

November 16, 2021

### ITEM

Preliminary 2022 Corporate Operating Plan

### PURPOSE

The Preliminary 2022 Corporate Operating Plan, incorporating elements of the District's projected operations, capital expenditures, and fuel needs for the year, has been completed and is ready for discussion with the Board of Directors.

### FACTS

- a. The Preliminary Corporate Operating Plan includes an average retail rate increase across customer classes of 2.5%. No change in the Fuel and Purchased Power Adjustment factor (FPPA) is required for 2022. The FPPA formula will be updated in 2022 to include Off-System Sales.
  - The current Fuel and Purchased Power base rate is 2.095 cents per kWh.
  - Due to including Off-System Sales in the FPPA formula, management will propose to change the base rate to 1.606 cents per kWh and leave the current FPPA factor unchanged.
  - The net result of the action is that retail customers will see no overall rate change relative to FPPA, due to the base rate formula change and the retention of the current FPPA factor of 0.186 cents per kWh.
- b. Total energy sales are budgeted to be 17,298 GWh which represents a 7.0% increase from the projected 2021 sales amount.
  - Retail sales are budgeted to be 12,150 GWh which represents a 5.5% increase from the projected 2021 amount.
  - Wholesale sales, excluding Nebraska City Station Unit 2 (NC2) participation sales, are budgeted to be 2,831 GWh which represents a 26.1% increase from the projected 2021 amount.
    - NC2 participation sales for 2022 are budgeted to be 2,317 GWh, a 3.7% decrease from the projected 2021 amount.
- c. Total operating revenues are budgeted to be \$1,248.3 million. Total budgeted operating revenues are 16.0% lower than 2021 projections.
  - Retail revenues, including FPPA, estimated rate increase and unbilled sales, are budgeted to be \$1,078.4 million, which is an increase of \$34.3 million above the 2021 projection.
  - Wholesale revenues, excluding NC2 participation revenues, are budgeted to be \$72.8 million, which is 70.3% lower than 2021 projected revenues.
    - NC2 participation revenues for 2022 are budgeted to be \$59.6 million, a 9.0% decrease from the projected 2021 amount.
- d. Total operations and maintenance expenditures are budgeted to be \$803.4 million. Total operations and maintenance expenditures are \$270.3 million or 25.2% lower than the 2021 projected amount.
  - Operations and maintenance expenditures (excluding fuel and purchased power) are estimated

to be \$426.7 million, which is \$53.1 million or 11.1% lower than the amount projected for 2021.

- Fuel expenses are budgeted to be \$148.2 million which is \$57.8 million or 28.1% lower than the amount projected for 2021.
- Purchased power expenses are budgeted to be \$228.5 million which is \$159.3 million or 41.1% lower than the amount projected for 2021. The purchased power expenses include 972 megawatts of wind capability, as well as 5 megawatts of Fort Calhoun Community Solar capability, to support the District’s renewable energy goal.

e. Capital expenditures are budgeted at \$670.0 million for 2022 compared to \$387.0 million projected for 2021.

The 2022 capital expenditure plan provides for expansion and improvements to the existing production, transmission and distribution systems. Expenditures by classification include both approved and pending capital projects. Actual expenditures by classification will vary based on final project designs, corporate priorities, and pending project approvals.

Production Plant	\$ 418.1 million
Transmission and Distribution	178.5 million
General Plant, Removal & Salvage	<u>73.4 million</u>
TOTAL	\$670.0 million

f. In 2022, additional funding for Nuclear Decommissioning is budgeted at \$138.9 million.

g. Net income for 2022 is budgeted to be \$62.6 million compared to \$27.8 million projected for 2021.

h. The 2022 Corporate Operating Plan total expenditure amount equals \$1,821.3 million.

i. Total debt service coverage is anticipated to be 2.0 times for 2022.

**ACTION**

The Preliminary 2022 Corporate Operating Plan is scheduled for review during the November 2021 Board of Directors’ Committee meeting prior to being submitted for Board approval during the December 2021 Regular Board Meeting.

**RECOMMENDED:**

DocuSigned by:

*John W. Thurber*

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John W. Thurber  
Interim Chief Financial Officer and Director -  
Treasury & Financial Operations

**APPROVED FOR REPORTING TO THE BOARD:**

DocuSigned by:

*L. Javier Fernandez*

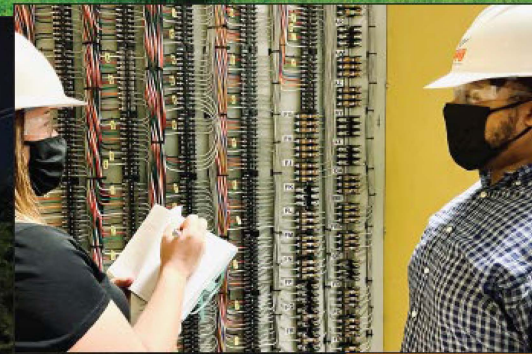
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L. Javier Fernandez  
President and Chief Executive Officer

JWT:bru

- Attachments: 2022 Preliminary Corporate Operating Plan  
Letter from The Brattle Group – Financial Review  
Letter from The Brattle Group – Rates Review

# Preliminary 2022 Corporate Operating Plan



Your Energy Partner  
**OPPD**  
Omaha Public Power District

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# Management Letter



## Management Letter

Omaha Public Power District management and employees continue to progress on multiple measures in fulfilling our vision of leading the way we power the future. 2021 was the beginning of a period of transformation for the utility. OPPD personnel continue to work on innovative projects and initiatives that will position the utility well to continue our mission.



During the past five years, OPPD has conducted thoughtful research and analysis around how the utility can meet customers' demands for modern solutions and options as part of how they engage with their electrical utility.

Our 2022 Corporate Operating Plan recommends an average 2.5% rate increase in retail electricity rates, after a five year period of no general rate increase. The rate increase is tied to expanding operations, especially in customer care and transmission and distribution and reflects a relatively flat year over year change in administrative and general expenses. This increase in revenue will partially fund these initiatives and drive these solutions forward. Other impacts on OPPD operations have arisen in recent years, including rising material and labor costs. While we are asking for an increase in revenue from customers, as a public power utility OPPD's budget remains revenue-neutral.

The plan will outline how this transformational work will be pursued via five key strategic initiatives that will shape the utility for decades to come while maintaining a strong focus on our mission to provide affordable, reliable and environmentally sensitive energy to our customers.

These initiatives include work toward becoming a net-zero carbon producer by 2050 as well as modernizing our electrical grid, including AMI meter technology that will open up options and services to better serve the needs of our customers. Within OPPD, our Technology Platform and Workplace Transformation initiatives also have a future focus and will position OPPD well to adapt to changing needs of our operations, customers and employees.

OPPD continues to invest in clean energy and has several capital fund expenditures underway to help the utility realize its stated goal of net-zero carbon emissions by 2050. Efforts toward that goal include the utility's Power with Purpose and Pathways to Decarbonization initiatives. The Power with Purpose project will add 600 megawatts (MW) of utility-scale solar with natural gas. Work has begun at our Turtle Creek Station and Standing Bear Lake Station gas plants that will serve as peaking stations, used only as needed per market conditions and estimated at less than 15% of the time.

A handwritten signature in black ink, appearing to read 'L. Javier Fernandez'.

L. Javier Fernandez  
President & Chief Executive Officer



# Strategic Planning and Enterprise Risk Management

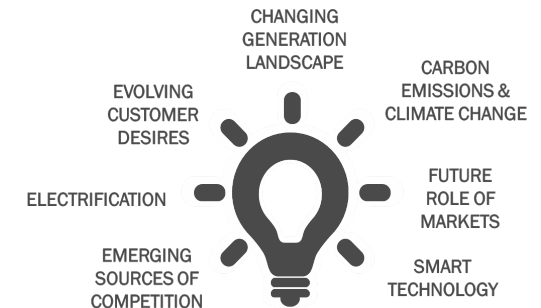


## Strategic Planning

Industry trends are accelerating transformational change, creating significant pressures on the traditional strategies and business models of electric utilities. Dynamic trends compel us to navigate through significant ambiguity and make courageous decisions for our future. While leveraging 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.

## Strategic Direction

To provide clear and transparent direction on behalf of OPPD's 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. In November of 2019, the Board of Directors revised SD-7 (Environmental Stewardship) and established the goal to conduct all of its operations in a manner that strives for the goal of net zero carbon production by 2050. In consideration of this revision, other SDs, and transformational changes within and outside the industry, the Executive Leadership Team shifted its strategic planning horizon from a 10-year to a 30-year vision. The development of this vision, known as Powering the Future to 2050 (PF 2050), will be a cooperative effort with our communities and local/regional initiatives.



**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



## STRATEGIC PLANNING

The SD 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.

Board Strategic Direction Policies & Strategic Goals			
Policy	Measure	Definition	Strategic Goal
Rates (SD-2)	% Below Regional Retail Average	Retail rate target of West North Central Regional average published rates on a system average basis. No general rate increase for a 5-year period starting January 1, 2017 and ending December 31, 2021.	20% *
Access to Credit Markets (SD-3)	Debt Coverage Ratio	Revenues less expenses divided by total annual senior and subordinate lien debt interest and principal payments.	2.0
Reliability (SD-4)	SAIDI	System Average Interruption Duration Index	< 90
	Equivalent Availability	% of actual generation potential to a unit's maximum rated output over a period of time (12 months)	90%
Customer Satisfaction (SD-5)	Absolute Satisfaction Score	JD Power's annual Electric Utility Residential Customer Satisfaction Study	Top quartile
Safety (SD-6)	DART	Days Away, Restricted or Transferred	< 0.50
	PVIR	Preventable Vehicle Incident Rate	< 4.00
Environmental Stewardship (SD-7)	Net Zero Carbon	Definition and goals to be determined upon review of the Pathways to Decarbonization study (scheduled for December 2021)	TBD
Employee Relations (SD-8)	Employee Engagement	Composite score of employee engagement	Top quartile
<p><i>For a full listing of the 15 Strategic Directives, which includes Resource Planning (SD-9), Ethics (SD-10), Economic Development (SD-11), Information Management &amp; Security (SD-12), Stakeholder Outreach &amp; Engagement (SD-13), Retirement Plan Funding (SD-14), Enterprise Risk Management (SD-15), please access the following link to the OPPD Board Policy document <a href="https://www.oppd.com/media/317205/oppd-board-policy-binder.pdf">https://www.oppd.com/media/317205/oppd-board-policy-binder.pdf</a></i></p>			

*\*Board Strategic Direction Policies and Strategic Goals are initial estimates and are under review by the OPPD Board of Directors.*

## STRATEGIC PLANNING

### Strategic Guiding Principles

Five principles – trusted energy partner, operational excellence, technology solutions, powered through people and financial stewardship – help guide our actions to achieve the direction provided by OPPD’s SDs, lead the way we power the future and fulfill our mission of providing affordable, reliable and environmentally sensitive energy services to our customers.

#### FINANCIAL STEWARDSHIP

*We are stewards of financial resources, creating strength and flexibility benefitting our customers and communities.*

#### POWERED THROUGH PEOPLE

*We know our workforce drives our success. We provide a safe, healthy environment where our diverse and highly-skilled employees can do their best work*



#### TRUSTED ENERGY PARTNER

*We are a trusted energy partner committed to giving our customers and communities value, caring, and excellence.*



#### OPERATIONAL EXCELLENCE

*We drive operational excellence by focusing on safety, reliability, cost, environmental stewardship and innovation.*

#### TECHNOLOGY SOLUTIONS

*Through partnerships, we provide innovative and value-added **TECHNOLOGY SOLUTIONS** in a secure and reliable manner to achieve strategic initiatives and operational goals.*

### Strategic Initiatives

The 2020 Strategic Planning efforts resulted in five strategic initiatives critical to help achieve OPPD's strategic direction policies, address changing industry dynamics, and support mitigation of enterprise risks. The 10-year horizon of these five strategic initiatives will become the foundation to OPPD's 30-year vision.



**Pathways to De-carbonization:** To establish actionable pathways in generation, internal operations, customer, and community that strive to meet SD-7's goal of net zero carbon production by 2050.

**Customer Engagement:** To better connect and engage with current and prospective customers in order to truly learn and understand what is important to and desired by them, and use that information to define, plan, and prioritize initiatives that help meet customers' changing expectations from their energy services provider.

**Electric System Evaluation & Modernization:** To leverage technology, systems and data to enhance customer experience, modernize our grid, manage asset lifecycles, and optimize operational processes.

**Technology Platform:** To create a sustainable and secure technology base that cultivates industry, customer, and employee confidence and directly aligns with the holistic goals of OPPD.

**Workplace Transformation:** To develop a framework ensuring workforce readiness for changes related to the developing operations model, supports OPPD's evolution as a utility of the future, and promotes OPPD's position as an employer of choice in the region.

## Enterprise Risk Management

Fundamental to effective planning is an understanding of the District’s enterprise level risks and the development and implementation of initiatives and mitigation plans to respond to those risks. The District’s Enterprise Risk Management (“ERM”) 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 2021 corporate planning efforts, OPPD leveraged risk assessments and mitigation plans to help prioritize resource allocation. Within the next year, the ELT will explore expanding this effort by incorporating those critical trends identified and associated with PF 2050.

Theme	OPPD’s Risk Management Focus
<b>Retail revenues &amp; off-system sales</b>	Persistently pursue customer and economic development to achieve economies of scale and strengthen the affordability of our rates. Optimize off-system sales and purchases to further benefit our customer-owners.
<b>Generation reliability</b>	Maintain a highly available and diverse portfolio of generation sources to provide power whenever our customer-owners need it.
<b>Environmental sensitivity</b>	Ensure the District is compliant with all environmental regulations, well-positioned to respond to new regulations, and able to minimize our environmental impact while maintaining affordability, reliability and resiliency.
<b>Fuel costs</b>	Effectively manage the District’s fuel portfolio through numerous mitigation strategies to continue to ensure low cost and resilient generation
<b>Fort Calhoun Station Decommissioning</b>	Realize the economic savings potential from ceasing operations at Fort Calhoun Station and effectively executing the decommissioning project. Ensure decommissioning funds are wholly adequate to return the facility to green field status.
<b>Cyber &amp; physical security</b>	Vigorously defend customer information and District assets from all potential cyber and physical security threats inherent with national critical infrastructure.
<b>Infrastructure investment</b>	Optimally invest in transmission, distribution, substation, facility, and technology assets to ensure reliable and resilient energy services and supporting functions will meet the demands of our customer-owners.
<b>Workplace safety</b>	Continue promoting safety as a top priority to ensure every employee and contractor goes home as healthy as they came into work.
<b>Community partnership</b>	Honor and support the communities in which we operate and fulfill the promise of public power.



# Assumptions



## Assumptions

### 2022 Proposed Rate Action

OPPD's 2022 Corporate Operating Plan assumes an average retail rate increase across customer classes of 2.5% and no change in the Fuel and Purchased Power Adjustment (FPPA) factor effective January 1, 2022.

### General

#### *2021 Projected*

Revenues, operations and maintenance, capital and deferred expenditures reflect the 2021 actual values and forecast submitted through September 30, 2021.

### Financing/Investing

#### *Financing*

Revenue bonds with net proceeds of \$363.7 million are included in the 2022 budget. The proceeds of these bonds are expected to be used for paying or reimbursing capital expenditures and refunding a portion of the outstanding commercial paper.

#### *Average Earnings Rates on Funds*

The average earnings rate used for all funds (including special purpose) for 2022 is 1.4% which is consistent with the 1.4% rate from the prior year.

### Energy Sales/Revenues

#### *Load Forecast*

The plan assumes a 5.5% increase in general business energy sales (MWh) and a 0.2% decrease in the number of customers in 2022, as compared to the 2021 projections.

## Assumptions

### Generation, Purchased Power, and Fuel Budget

Outages have been scheduled for the following base-load units in 2022:

1. Nebraska City Station Unit Number 1
2. North Omaha Station Units Number 4 and 5

Additionally there are several shorter outages scheduled for other units. The purchased power budget includes generation supplied from 972 megawatts of wind capability, as well as 5 megawatts of Fort Calhoun Community Solar capability. In addition to OPPD's existing wind and solar portfolio, a future 81-megawatt utility-scale solar generation facility, Platteview Solar, is being planned for 2023.

After the completion of the 2022 Preliminary COP modeling, coal and natural gas commodity price volatility was identified for 2022 and future years. The financial impacts of this price volatility are still being analyzed and are not reflected in this 2022 Preliminary COP.

### Department Operation and Maintenance Budget

Department and division level budgets were proposed in August 2021 during the Resource Optimization Sessions. These plans were reviewed with the Executive Leadership Team for alignment with the strategic and operational objectives before submitting them to the Board in the 2022 Preliminary Corporate Operating Plan for Board final approval.

### Capital Budget Expenditures

The capital portfolio prioritization and allocation process 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. The capital budget for 2022 is abnormally large due to the system expansion to provide reliable electric service to a growing community.

### Total 2022 Budget

The total 2022 Budget is \$1.8 billion.

**BUDGET SUMMARY**  
(DOLLARS IN THOUSANDS)

**Total Budget**

	BUDGET 2021	BUDGET 2022	INCREASE / (DECREASE)	% CHANGE
Fuel Costs and Purchased Power	\$365,021	\$376,734	\$11,713	3.2
Non-Fuel Operations & Maintenance	403,293	426,660	23,367	5.8
Total Debt Service and Other Expenses	131,145	144,429	13,284	10.1
Payments in Lieu of Taxes	36,139	37,774	1,635	4.5
Capital Expenditures*	370,000	670,000	300,000	81.1
Regulatory Amortization	14,838	14,838	0	0.0
Decommissioning Expenditures**	122,688	150,870	28,182	23.0
<b>TOTAL BUDGET</b>	<b>\$1,443,124</b>	<b>\$1,821,305</b>	<b>\$378,181</b>	<b>26.2</b>

\*Capital Expenditures are shown net of Contributions in Aid of Construction.

\*\*Decommissioning Expenditures represent expenditures related to Decommissioning activity, which differs from Decommissioning Funding (\$138.9 million) which is an expense and is reflected on the income statement.

**Budget Component Comparison**

	BUDGET 2021	BUDGET 2022	INCREASE / (DECREASE)
Fuel Costs and Purchased Power	25.3%	20.7%	(4.6)
Non-Fuel Operations & Maintenance	27.9%	23.4%	(4.5)
Total Debt Service and Other Expenses	9.1%	7.9%	(1.2)
Payments in Lieu of Taxes	2.5%	2.1%	(0.4)
Capital Expenditures*	25.6%	36.8%	11.1
Regulatory Amortization	1.0%	0.8%	(0.2)
Decommissioning Expenditures**	8.5%	8.3%	(0.2)
<b>TOTAL BUDGET</b>	<b>100%</b>	<b>100%</b>	<b>0.0</b>

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



### Fuel and Purchased Power Budget

	BUDGET 2021	BUDGET 2022	INCREASE / (DECREASE)	% CHANGE
Fuel Cost	\$142,650	\$148,243	\$5,592	3.9
Purchased Power	222,371	228,491	6,120	2.8
<b>TOTAL BUDGET</b>	<b>\$365,021</b>	<b>\$376,734</b>	<b>\$11,712</b>	<b>3.2</b>

### Non-Fuel O&M Budget

	BUDGET 2021	BUDGET 2022	INCREASE / (DECREASE)	% CHANGE
Production	\$102,481	\$108,540	\$6,059	5.9
Transmission and Distribution	112,122	128,033	15,911	14.2
Customer Accounting and Services	44,271	45,922	1,651	3.7
Administrative and General	144,419	144,165	(254)	(0.2)
<b>TOTAL BUDGET</b>	<b>\$403,293</b>	<b>\$426,660</b>	<b>\$23,367</b>	<b>5.8</b>

### Debt Service/Other Expenses

	BUDGET 2021	BUDGET 2022	INCREASE / (DECREASE)	% CHANGE
Bonds (excludes Minibonds)	\$103,372	\$152,211	\$48,839	47.2
Commercial Paper	625	719	94	15.0
Other (includes Minibonds)**	27,148	(8,501)	(35,649)	(131.3)
<b>TOTAL BUDGET</b>	<b>\$131,145</b>	<b>\$144,429</b>	<b>\$13,284</b>	<b>10.1</b>

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

\*\*Minibonds matured in 2021 and are not reflected in the 2022 total.



# Financial Statements



# Financial Statements

## Income Statement

Projected net income for 2021 is \$27.8 million, which is \$14.8 million under budget. Operating income is projected to be \$8.0 million under budget. It should be noted that OPPD does not set budgets and other forward looking plans on the basis of net income. The District uses a 2.0 Debt Service coverage ratio as the basis of annual budgets, which is based on SD-3 Access to Credit Markets.

Net income for 2022 is budgeted to be \$62.6 million, which is \$34.8 million or 125.1% higher than the 2021 projected net income. When compared to the 2021 budget, net income for 2022 is \$20.0 million or 46.9% higher.

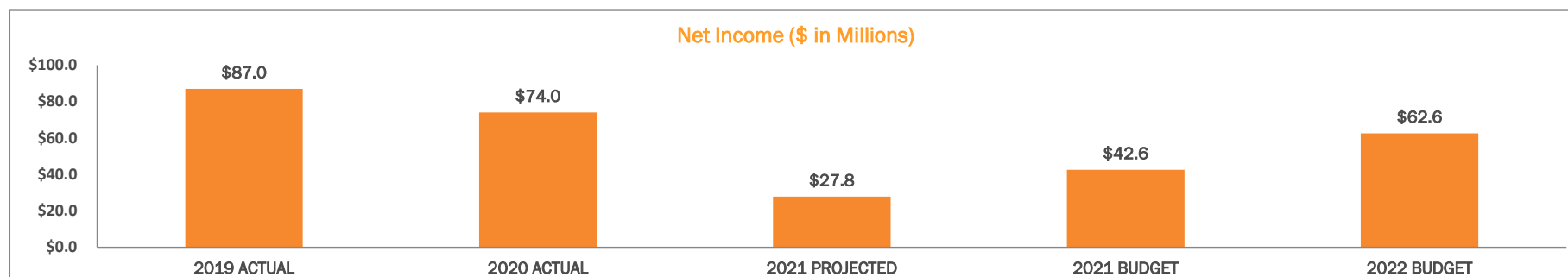
Major factors contributing to the change in 2022 operating and net income are:

1. Operating revenues are budgeted to be \$237.8 million lower than 2021 projections and \$65.8 million higher than the 2021 budget. The budget decrease is primarily due to lower Off-System Sales revenue, specifically related to the 2021 Polar Vortex weather event. Retail revenues less adjustments (Fuel and Purchased Power Adjustment (FPPA), Decommissioning and Benefit Reserve (DABR), and Unbilled Revenues) are projected to increase \$15.0 million from 2021 projections and increase \$45.4 million when compared to the 2021 budget, which is related to year over year growth in the industrial and commercial customer classes, as well as the planned 2.5% average rate increase in 2022.
2. Operations and maintenance expense is budgeted to be \$270.3 million lower than the 2021 projected amount and \$35.1 million higher than the 2021 budget amount. The 2022 budget is lower than the 2021 projected amount due to the increased Purchased Power and Fuel expenses during the 2021 Polar Vortex weather event. The 2022 budget increase is higher than the 2021 budget due to higher transmission and distribution, fuel expense, purchased power, outage costs, and a focus on strategic initiatives.
3. Other income for 2022 is \$22.3 million higher than the 2021 projected amount primarily due to the change in the fair value of the investments in 2021. Other income budgeted for 2022 is \$12.5 million higher than the 2021 budget amount primarily due to anticipated collections from FEMA for the July 2021 storm damage.
4. Total decommissioning funding, which is recognized as an expense of \$138.9 million in 2022, is \$7.2 million higher than 2021 projected.

**INCOME STATEMENT**  
(DOLLARS IN THOUSANDS)

**Income Statement**

	ACTUAL 2019	ACTUAL 2020	PROJECTED 2021	BUDGET 2021	VARIANCE 2021	BUDGET 2022	22 BUDGET VS. 21 PROJ. \$ CHANGE	% CHANGE
<b>OPERATING REVENUES</b>	\$1,160,719	\$1,083,901	\$1,486,128	\$1,182,466	\$303,662	\$1,248,279	(\$237,849)	(16.0)
<b>OPERATING EXPENSES</b>								
O&M EXPENSE	\$724,891	\$686,086	\$1,073,668	\$768,314	\$305,354	\$803,394	(\$270,274)	(25.2)
PAYMENTS IN LIEU OF TAXES	35,030	35,438	38,398	36,139	2,259	37,774	(624)	(1.6)
DECOMMISSIONING EXPENSE	143,004	130,035	131,745	129,442	2,303	138,923	7,178	5.4
REGULATORY AMORTIZATION	14,836	14,836	14,835	14,838	(3)	14,838	3	0.0
DEPRECIATION EXPENSE	129,514	136,175	139,722	137,981	1,741	143,459	3,737	2.7
<b>TOTAL OPERATING EXPENSE</b>	<b>\$1,047,274</b>	<b>\$1,002,569</b>	<b>\$1,398,368</b>	<b>\$1,086,714</b>	<b>\$311,654</b>	<b>\$1,138,388</b>	<b>(\$259,980)</b>	<b>(18.6)</b>
<b>OPERATING INCOME</b>	\$113,445	\$81,331	\$87,760	\$95,752	(\$7,992)	\$109,891	\$22,131	25.2
INTEREST INCOME	\$51,871	\$45,034	(\$2,371)	\$15,790	(\$18,161)	\$18,438	\$20,808	(877.7)
ALLOWANCE FOR FUNDS USED	4,706	8,404	8,343	6,760	1,583	7,862	(481)	(5.8)
PRODUCTS AND SERVICES - NET	2,862	2,511	2,187	4,622	(2,435)	3,365	1,178	53.9
MISC. NON OPERATING INCOME	3,505	7,542	12,158	3,000	9,158	13,000	842	6.9
<b>TOTAL OTHER INCOME</b>	<b>\$62,943</b>	<b>\$63,492</b>	<b>\$20,317</b>	<b>\$30,172</b>	<b>(\$9,855)</b>	<b>\$42,664</b>	<b>\$22,347</b>	<b>110.0</b>
<b>TOTAL INCOME LESS OPERATING EXPENSE</b>	<b>\$176,388</b>	<b>\$144,823</b>	<b>\$108,078</b>	<b>\$125,924</b>	<b>(\$17,847)</b>	<b>\$152,555</b>	<b>\$44,477</b>	<b>41.2</b>
<b>INCOME DEDUCT. &amp; INT. CHARGES</b>								
INTEREST EXPENSE ON BONDS	\$82,509	\$77,625	\$87,389	\$78,039	\$9,350	\$97,767	\$10,379	11.9
INTEREST EXPENSE ON NOTES	1,544	1,580	1,238	10,738	(9,500)	0	(1,238)	(100.0)
INTEREST EXPENSE ON COMMERCIAL PAPER	2,917	1,678	529	625	(96)	719	190	36.0
AMORTIZATION	(257)	(11,816)	(10,994)	(7,842)	(3,152)	(10,206)	787	(7.2)
OTHER INCOME DEDUCTIONS	2,724	1,754	2,120	1,805	315	1,705	(415)	(19.6)
<b>TOTAL INCOME DEDUCT. &amp; INT. CHARGES</b>	<b>\$89,438</b>	<b>\$70,821</b>	<b>\$80,282</b>	<b>\$83,365</b>	<b>(\$3,083)</b>	<b>\$89,985</b>	<b>\$9,703</b>	<b>12.1</b>
<b>NET INCOME</b>	<b>\$86,951</b>	<b>\$74,002</b>	<b>\$27,796</b>	<b>\$42,559</b>	<b>(\$14,764)</b>	<b>\$62,570</b>	<b>\$34,774</b>	<b>125.1</b>



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

## Financial Statements

### Coverage Ratios

The total debt service coverage ratio, which is the key metric viewed by credit rating agencies, is budgeted to be 2.00 times in 2022, as directed by SD-3 Access to Credit Markets.

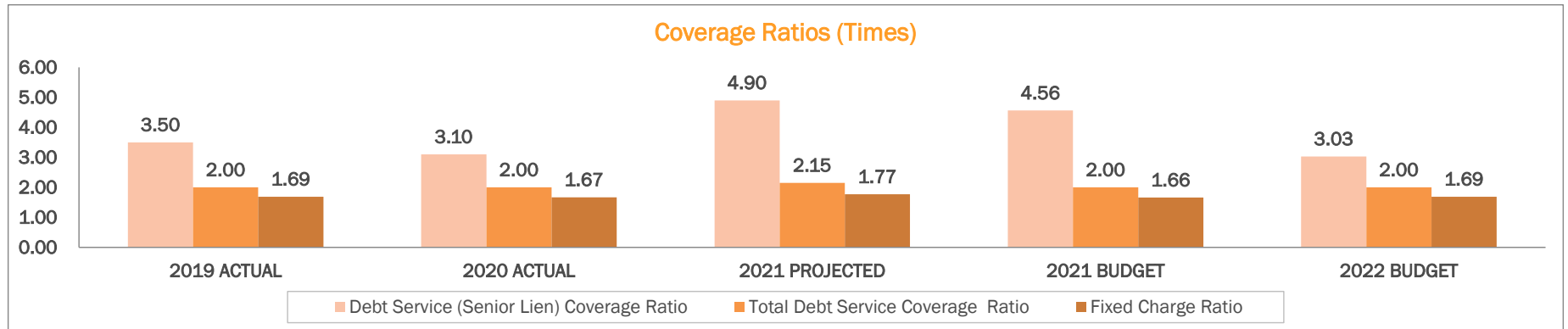
The fixed charge ratio is budgeted to be 1.69 times in 2022 as compared to the projected 2021 of 1.77 times.

The Senior Lien debt service coverage ratio is projected to be 4.90 times in 2021 and 3.03 times in 2022. The significant decrease is driven both by an increase in net receipts and an increase in Senior Lien debt service requirements. Net receipts for 2022 are expected to increase by \$36.9 million or 10.7% from 2021 projected levels primarily due to increasing retail revenue. Senior Lien debt service requirements for 2022 are scheduled to increase by approximately \$55.7 million over 2021 projections as a result of the 2021 and 2022 bond issues and an intentional decrease in 2021 Senior Lien principal accruals to offset principal and capitalized interest due on the minibonds in 2021.

**COVERAGE RATIOS  
(DOLLARS IN THOUSANDS)**

**Coverage Ratios**

	ACTUAL 2019	ACTUAL 2020	PROJECTED 2021	BUDGET 2021	VARIANCE 2021	BUDGET 2022	22 BUDGET VS. 21 PROJ.	
							\$ CHANGE	% CHANGE
OPERATING REVENUES (EXCL. NC2)	\$1,090,473	\$1,018,067	\$1,420,622	\$1,122,260	\$298,361	\$1,188,650	(\$231,972)	(16.3)
INTEREST INCOME - BONDS RESERVE ACCOUNT	1,124	1,116	978	849	129	780	(198)	(20.2)
O&M EXPENSE (EXCL. NC2 PARTICIPANT SHARE)	(683,466)	(649,580)	(1,036,835)	(732,978)	(303,857)	(768,392)	268,443	(25.9)
PAYMENTS IN LIEU OF TAXES	(35,030)	(35,438)	(38,398)	(36,139)	(2,259)	(37,774)	624	(1.6)
<b>NET RECEIPTS</b>	<b>\$373,102</b>	<b>\$334,165</b>	<b>\$346,367</b>	<b>\$353,993</b>	<b>(\$7,626)</b>	<b>\$383,264</b>	<b>\$36,897</b>	<b>10.7</b>
DEBT SERVICE REQUIREMENTS (SENIOR LIEN)	\$107,186	\$107,795	\$70,586	\$77,523	(\$6,937)	\$126,267	\$55,681	78.9
DEBT SERVICE (SENIOR LIEN) COVERAGE RATIO	3.50	3.10	4.90	4.56		3.03		
<u>MEMO: OTHER COVERAGE RATIOS:</u>								
<b>TOTAL DEBT SERVICE COVERAGE RATIO (DSC)</b>	<b>2.00</b>	<b>2.00</b>	<b>2.15</b>	<b>2.00</b>		<b>2.00</b>		
FIXED CHARGE RATIO	1.69	1.67	1.77	1.66		1.69		



NOTES: Some columns may not foot exactly due to the method used for individual line item rounding. Total DSC as defined in OPPD's published Strategic Directive-3: Access to Credit Markets.

## Financial Statements

### Debt and Financing Data

Total Senior Lien revenue bonds outstanding at year-end 2022 are budgeted to equal \$1,893.4 million. The 2022 budget anticipates the issuance of approximately \$394.4 million of new Senior Lien revenue bonds and also includes Senior Lien revenue bond maturities and retirements of \$9.9 million.

Total subordinated bonds outstanding at year-end 2022 are budgeted to equal \$227.2 million and also includes subordinated bond maturities and retirements of \$2.6 million. The 2022 budget does not anticipate the issuance of new subordinated bonds.

All minibonds were redeemed in 2021.

Total commercial paper outstanding at year-end 2022 are budgeted to equal \$250.0 million and also includes commercial paper maturities and retirements of \$75.0 million. The 2022 budget does not anticipate the issuance of new commercial paper.

Total Separate System (NC2) revenue bonds outstanding at year-end 2022 are budgeted to equal \$197.7 million. The 2022 budget does not anticipate the issuance of new NC2 revenue bonds but does have NC2 revenue bond maturities and retirements of \$3.8 million.

The total average interest rate on existing debt will be 4.47% at the end of 2021 and 3.83% at the end of 2022. The debt to capitalization ratio is budgeted to be 63% for 2022.

**DEBT AND FINANCING DATA  
(DOLLARS IN THOUSANDS)**

**Debt and Financing Data**

	ACTUAL 2019	ACTUAL 2020	PROJECTED 2021	BUDGET 2021	VARIANCE 2021	BUDGET 2022	22 BUDGET VS. 21 PROJ.	
							\$ CHANGE	% CHANGE
<b>SENIOR LIEN REVENUE BONDS</b>								
BALANCE - BEGINNING OF YEAR	\$1,320,330	\$1,256,030	\$1,208,640	\$1,208,640	\$0	\$1,508,855	\$300,215	24.8
MATURITIES / RETIREMENTS	(202,055)	(47,390)	(58,520)	(50,380)	(8,140)	(9,875)	48,645	(83.1)
NEW ISSUES	137,755	0	358,735	124,705	234,030	394,419	35,684	9.9
<b>BALANCE - END OF YEAR</b>	<b>\$1,256,030</b>	<b>\$1,208,640</b>	<b>\$1,508,855</b>	<b>\$1,282,965</b>	<b>\$225,890</b>	<b>\$1,893,399</b>	<b>\$384,544</b>	<b>25.5</b>
AVERAGE INTEREST RATE (END OF YEAR)	4.78%	4.77%	4.65%	4.55%		4.14%		
<b>SUBORDINATED</b>								
BALANCE - BEGINNING OF YEAR	\$335,940	\$254,665	\$229,775	\$229,775	\$0	\$229,775	\$0	0.0
MATURITIES / RETIREMENTS	(81,275)	(24,890)	0	0	0	(2,550)	(2,550)	0.0
NEW ISSUES	0	0	0	0	0	0	0	0.0
<b>BALANCE - END OF YEAR</b>	<b>\$254,665</b>	<b>\$229,775</b>	<b>\$229,775</b>	<b>\$229,775</b>	<b>\$0</b>	<b>\$227,225</b>	<b>(\$2,550)</b>	<b>(1.1)</b>
AVERAGE INTEREST RATE (END OF YEAR)	4.79%	4.27%	4.24%	4.24%		4.23%		
<b>MINIBONDS</b>								
BALANCE - BEGINNING OF YEAR	\$30,755	\$31,211	\$31,737	\$31,720	\$17	\$0	(\$31,737)	(100.0)
MATURITIES / RETIREMENTS	(176)	(150)	(32,343)	(32,567)	224	0	32,343	(100.0)
ACCREDITED INTEREST	632	676	607	847	(240)	0	(607)	(100.0)
<b>BALANCE - END OF YEAR</b>	<b>\$31,211</b>	<b>\$31,737</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>
AVERAGE INTEREST RATE (END OF YEAR)	4.95%	4.98%						
<b>COMMERCIAL PAPER</b>								
BALANCE - BEGINNING OF YEAR	\$150,000	\$230,100	\$250,000	\$250,000	\$0	\$325,000	\$75,000	30.0
MATURITIES / RETIREMENTS	0	0	0	0	0	(75,000)	(75,000)	0.0
NEW ISSUES	80,100	19,900	75,000	0	75,000	0	(75,000)	(100.0)
<b>BALANCE - END OF YEAR</b>	<b>\$230,100</b>	<b>\$250,000</b>	<b>\$325,000</b>	<b>\$250,000</b>	<b>\$75,000</b>	<b>\$250,000</b>	<b>(\$75,000)</b>	<b>(23.1)</b>
AVERAGE INTEREST RATE (END OF YEAR)	1.27%	0.67%	0.19%	0.25%		0.29%		
<b>SEPARATE SYSTEM REVENUE BONDS (NC2)</b>								
BALANCE - BEGINNING OF YEAR	\$211,995	\$208,645	\$205,150	\$205,150	\$0	\$201,495	(\$3,655)	(1.8)
MATURITIES / RETIREMENTS	(3,350)	(3,495)	(3,655)	(3,655)	0	(3,815)	(160)	4.4
NEW ISSUES	0	0	0	0	0	0	0	0.0
<b>BALANCE - END OF YEAR</b>	<b>\$208,645</b>	<b>\$205,150</b>	<b>\$201,495</b>	<b>\$201,495</b>	<b>\$0</b>	<b>\$197,680</b>	<b>(\$3,815)</b>	<b>(1.9)</b>
AVERAGE INTEREST RATE (END OF YEAR)	4.93%	4.94%	4.95%	4.95%		4.95%		
<b>TOTAL AVERAGE INTEREST RATE (END OF YEAR)</b>	<b>4.39%</b>	<b>4.20%</b>	<b>4.47%</b>	<b>4.55%</b>		<b>3.83%</b>		
<b>TOTAL INTEREST EXPENSE (ON DEBT)</b>	<b>\$89,438</b>	<b>\$70,821</b>	<b>\$80,282</b>	<b>\$83,365</b>	<b>(\$3,083)</b>	<b>\$89,985</b>	<b>\$9,703</b>	<b>12.1</b>
<b>DEBT TO CAPITALIZATION RATIO</b>	<b>59%</b>	<b>57%</b>	<b>60%</b>	<b>56%</b>		<b>63%</b>		

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



## Financial Statements

### Cash Flow Analysis

Projected cash receipts for 2021 are \$1,423.9 million, which is \$226.9 million over budget. Cash disbursements are projected to be \$1,664.0 million in 2021 or \$201.1 million over the 2021 budget amount.

In 2022, cash receipts are budgeted to decrease by \$142.1 million to \$1,281.8 million as compared to the 2021 projection. This decrease is primarily due to the Polar Vortex weather event Off-System Sales transactions reflected in 2021.

Cash disbursements in 2022 are budgeted to increase by \$132.6 million to \$1,796.6 million as compared to the 2021 projection. Increases in cash disbursements for 2022 include capital investments of \$283.0 million related to the Power with Purpose infrastructure upgrade and operation and maintenance expense initiative focus of \$14.4 million offset by decreases in purchased power of \$160.7 million and fuel of \$63.2 million primarily related to the Polar Vortex weather event in 2021.

The budget values of cash receipts and disbursements result in a projected year-end cash balance of \$465.1 million in 2022.

**CASH FLOW ANALYSIS  
(DOLLARS IN THOUSANDS)**

**Cash Flow Analysis**

	ACTUAL 2019	ACTUAL 2020	PROJECTED 2021	BUDGET 2021	VARIANCE 2021	BUDGET 2022	22 BUDGET VS. 21 PROJ. \$ CHANGE	% CHANGE
CASH BEGINNING OF PERIOD	\$457,593	\$356,508	\$366,157	\$363,348	\$2,809	\$616,238	\$250,081	68.3
RECEIPTS								
GENERAL BUSINESS REVENUES	\$967,717	\$977,771	\$1,039,561	\$995,861	\$43,700	\$1,073,146	\$33,585	3.2
WHOLESALE REVENUES (INCL. NC2)	146,718	142,663	308,450	141,886	166,564	136,388	(172,062)	(55.8)
OTHER ELECTRIC REVENUES	37,402	36,858	36,925	35,848	1,077	37,431	506	1.4
INTEREST INCOME	29,534	34,200	35,973	18,790	17,183	31,438	(4,535)	(12.6)
PRODUCTS & SERVICES	2,862	2,511	2,982	4,622	(1,640)	3,365	383	12.8
USE OF RESERVE ACCOUNTS	0	0	0	0	0	0	0	0.0
<b>TOTAL RECEIPTS</b>	<b>\$1,184,233</b>	<b>\$1,194,003</b>	<b>\$1,423,891</b>	<b>\$1,197,007</b>	<b>\$226,884</b>	<b>\$1,281,768</b>	<b>(\$142,123)</b>	<b>(10.0)</b>
DISBURSEMENTS								
O&M EXPENSE (W/O FUEL & PURCHASED POWER)	\$348,621	\$340,630	\$407,814	\$402,283	\$5,531	\$422,197	\$14,383	3.5
DECOMMISSIONING EXPENSE	143,004	130,035	149,199	129,442	19,757	138,923	(10,276)	(6.9)
PAYMENTS IN LIEU OF TAXES	35,030	35,438	35,240	34,958	282	36,035	795	2.3
DEBT SERVICE	138,102	134,004	126,637	139,055	(12,418)	154,544	27,907	22.0
CAPITAL EXPENDITURES	194,547	205,976	386,999	370,000	16,999	670,000	283,001	73.1
FUEL	161,737	145,059	210,612	139,595	71,017	147,365	(63,247)	(30.0)
PURCHASED POWER	212,666	192,588	388,211	225,110	163,101	227,493	(160,718)	(41.4)
CHANGES IN OTHER NET ASSETS	9,111	3,524	(40,717)	0	(40,717)	0	40,717	(100.0)
CONTRIBUTIONS TO RESERVE ACCOUNTS	42,500	17,000	0	22,500	(22,500)	0	0	0.0
<b>TOTAL DISBURSEMENTS</b>	<b>\$1,285,318</b>	<b>\$1,204,254</b>	<b>\$1,663,995</b>	<b>\$1,462,943</b>	<b>\$201,052</b>	<b>\$1,796,557</b>	<b>\$132,562</b>	<b>8.0</b>
NET OPERATING CASH FLOW	(\$101,085)	(\$10,251)	(\$240,104)	(\$265,936)	\$25,832	(\$514,789)	(\$274,685)	114.4
FINANCING	\$0	\$0	\$438,186	\$160,627	\$277,559	\$454,556	\$16,370	3.7
FINANCING COST / RESERVE AMOUNT	0	0	(14,841)	0	(14,841)	(15,867)	(1,026)	6.9
COMMERCIAL PAPER - NET	0	19,900	75,000	0	75,000	(75,000)	(150,000)	(200.0)
OTHER	0	0	(8,160)	0	(8,160)	0	8,160	(100.0)
<b>TOTAL FINANCING</b>	<b>\$0</b>	<b>\$19,900</b>	<b>\$490,185</b>	<b>\$160,627</b>	<b>\$329,558</b>	<b>\$363,689</b>	<b>(\$126,496)</b>	<b>(25.8)</b>
TOTAL CHANGE IN CASH	(\$101,085)	\$9,649	\$250,081	(\$105,309)	\$355,390	(\$151,100)	(\$401,181)	(160.4)
CASH END OF PERIOD	\$356,508	\$366,157	\$616,238	\$258,039	\$358,199	\$465,138	(\$151,101)	(24.5)
<b>DECOMMISSIONING FUND</b>	<b>\$549,035</b>	<b>\$542,090</b>	<b>\$535,513</b>	<b>\$567,000</b>	<b>(\$31,487)</b>	<b>\$546,221</b>	<b>\$10,708</b>	<b>2.0</b>

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



# Energy Sales



## Energy Sales

### Electric Energy Sales & Electric Customers

Electric energy sales for 2022 are budgeted to be 17,298,238 MWh or 7.0% higher than the 2021 projected energy sales, which is driven by increasing general business sales (retail sales) and wholesale sales (off-system sales). General business sales are budgeted to increase 633,290 MWh in 2022 compared to the 2021 projection, which is mainly a result of industrial sales. Wholesale sales (including NC2 participation sales) are budgeted to increase 498,246 MWh or 10.7% from 2021 projected levels, which is more in line with 2020 actuals and 2021 budget.

In 2022, the average number of general business customers is budgeted to decrease by 768 or 0.2% below 2021 projections.

ELECTRIC ENERGY SALES AND CUSTOMERS

Energy Sales and Customers

	ACTUAL 2019	ACTUAL 2020	PROJECTED 2021	BUDGET 2021	VARIANCE 2021	BUDGET 2022	22 BUDGET VS. 21 PROJ.	
							MWh CHANGE	% CHANGE
<u>ELECTRIC ENERGY SALES (MWh)</u>								
RESIDENTIAL	3,751,130	3,792,482	3,836,213	3,707,661	128,552	3,676,059	(160,154)	(4.2)
COMMERCIAL	3,735,317	3,529,531	3,687,914	3,543,602	144,312	3,783,785	95,871	2.6
INDUSTRIAL	3,389,005	3,683,609	4,082,003	4,235,059	(153,056)	4,719,585	637,583	15.6
<b>SUBTOTAL</b>	<b>10,875,452</b>	<b>11,005,622</b>	<b>11,606,130</b>	<b>11,486,322</b>	<b>119,808</b>	<b>12,179,430</b>	<b>573,299</b>	<b>4.9</b>
UNBILLED SALES	44,351	83,316	(89,129)	47,158	(136,287)	(29,139)	59,990	(67.3)
<b>GENERAL BUSINESS SALES</b>	<b>10,919,803</b>	<b>11,088,938</b>	<b>11,517,001</b>	<b>11,533,480</b>	<b>(16,479)</b>	<b>12,150,291</b>	<b>633,290</b>	<b>5.5</b>
NC2 PARTICIPANT	1,880,606	1,861,619	2,404,664	2,151,600	253,064	2,316,838	(87,825)	(3.7)
OTHER	2,546,862	3,088,859	2,245,038	3,055,352	(810,314)	2,831,109	586,071	26.1
<b>WHOLESALE SALES</b>	<b>4,427,468</b>	<b>4,950,477</b>	<b>4,649,702</b>	<b>5,206,952</b>	<b>(557,251)</b>	<b>5,147,948</b>	<b>498,246</b>	<b>10.7</b>
<b>TOTAL MWh SALES</b>	<b>15,347,271</b>	<b>16,039,416</b>	<b>16,166,703</b>	<b>16,740,432</b>	<b>(573,729)</b>	<b>17,298,238</b>	<b>1,131,536</b>	<b>7.0</b>
<u>ELECTRIC CUSTOMERS (12 MONTH AVG.)</u>								
RESIDENTIAL	337,517	342,716	344,671	338,103	6,568	345,506	835	0.2
COMMERCIAL	46,837	47,461	49,702	47,450	2,252	48,095	(1,607)	(3.2)
INDUSTRIAL	147	144	143	148	(5)	146	3	2.2
<b>TOTAL GEN. BUS. CUSTOMERS</b>	<b>384,502</b>	<b>390,321</b>	<b>394,515</b>	<b>385,701</b>	<b>8,814</b>	<b>393,747</b>	<b>(768)</b>	<b>(0.2)</b>
<u>kWh / CUSTOMER</u>								
RESIDENTIAL	11,114	11,066	11,130	10,966	164	10,640	(490)	(4.4)
COMMERCIAL	79,751	74,367	74,201	74,681	(480)	78,673	4,472	6.0
INDUSTRIAL	23,015,311	25,521,542	28,578,781	28,615,261	(36,480)	32,325,925	3,747,144	13.1
<b>AVERAGE kWh / CUSTOMER</b>	<b>28,285</b>	<b>28,196</b>	<b>29,419</b>	<b>29,780</b>	<b>(362)</b>	<b>30,932</b>	<b>1,513</b>	<b>5.1</b>

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

## Energy Sales

### Operating Revenues

Total electric operating revenues for 2021 are projected to be \$1,486.1 million, which is \$303.7 million or 25.7% over 2021 budget. The variance is primarily due to retail revenues of \$35.6 million, driven by weather and a partial return to pre-pandemic conditions, Decommissioning and Benefits Reserve contribution of \$95.0 million, which is offset by an equal contribution to the pension liability and wholesale revenues that are \$172.4 million over budget for 2021 due to Polar Vortex weather event market conditions.

Total electric operating revenues for 2022 are budgeted to be \$1,248.3 million, which is \$237.8 million or 16.0% below the 2021 projected operating revenues. The decrease from the 2021 is related to high 2021 off-system sales related to the Polar Vortex weather event and the recognition of \$95 million of Decommissioning and Benefits Reserve funds.

Included in the 2022 operating revenues is a proposed average retail rate increase across all customer classes of 2.5% or \$26.0 million.

**OPERATING REVENUES**  
(DOLLARS IN THOUSANDS)

**Operating Revenues**

	ACTUAL 2019	ACTUAL 2020	PROJECTED 2021	BUDGET 2021	VARIANCE 2021	BUDGET 2022	22 BUDGET VS. 21 PROJ.	
							\$ CHANGE	% CHANGE
<b>ELECTRIC OPERATING REVENUES</b>								
RESIDENTIAL	\$423,574	\$431,965	\$432,590	\$423,209	\$9,380	\$422,296	(\$10,294)	(2.4)
COMMERCIAL	329,616	315,787	325,942	312,864	13,078	337,222	11,281	3.5
INDUSTRIAL	215,766	225,078	275,730	267,779	7,951	289,766	14,035	5.1
<b>SUBTOTAL</b>	<b>\$968,955</b>	<b>\$972,830</b>	<b>\$1,034,261</b>	<b>\$1,003,852</b>	<b>\$30,409</b>	<b>\$1,049,284</b>	<b>\$15,022</b>	<b>1.5</b>
FPPA RECEIVABLE AMORTIZATION	\$20,896	(\$45,917)	\$7,614	\$3,600	\$4,014	\$0	(\$7,614)	(100.0)
PROVISION FOR DABR	(17,000)	(21,000)	95,000	0	95,000	0	(95,000)	(100.0)
ESTIMATED RATE INCREASE	0	0	0	0	0	25,990	25,990	0.0
UNBILLED REVENUES/ADJUSTMENTS	2,956	3,847	2,222	1,082	1,140	3,171	949	42.7
<b>SUBTOTAL</b>	<b>\$6,852</b>	<b>(\$63,070)</b>	<b>\$104,836</b>	<b>\$4,682</b>	<b>\$100,154</b>	<b>\$29,161</b>	<b>(\$75,675)</b>	<b>(72.2)</b>
NC2 PARTICIPANTS	\$70,246	\$65,834	\$65,507	\$60,206	\$5,300	\$59,629	(\$5,877)	(9.0)
OTHER	77,264	71,448	244,973	77,879	167,094	72,774	(172,199)	(70.3)
<b>TOTAL WHOLESALE REVENUES</b>	<b>\$147,509</b>	<b>\$137,282</b>	<b>\$310,479</b>	<b>\$138,085</b>	<b>\$172,394</b>	<b>\$132,403</b>	<b>(\$178,076)</b>	<b>(57.4)</b>
<b>TOTAL SALES OF ELECTRIC ENERGY</b>	<b>\$1,123,317</b>	<b>\$1,047,043</b>	<b>\$1,449,577</b>	<b>\$1,146,619</b>	<b>\$302,958</b>	<b>\$1,210,848</b>	<b>(\$238,729)</b>	<b>(16.5)</b>
<b>OTHER ELECTRIC REVENUES</b>								
LATE PAYMENT CHARGES	\$4,440	\$3,179	\$4,409	\$4,846	(\$436)	\$4,529	\$120	2.7
RENT FROM ELECTRIC PROPERTY	4,190	5,272	4,318	4,481	(163)	4,291	(26)	(0.6)
MISC. SERVICE REVENUE	4,972	4,391	4,343	4,808	(464)	4,571	228	5.2
TRANSMISSION WHEELING FEES	7,837	7,485	6,608	6,384	224	6,322	(286)	(4.3)
DISTRIBUTION WHEELING FEES	2,893	2,762	2,522	2,500	22	2,328	(194)	(7.7)
TRANSMISSION - SPP	13,070	13,768	14,351	12,829	1,522	15,389	1,038	7.2
<b>TOTAL OTHER ELECTRIC REVENUES</b>	<b>\$37,402</b>	<b>\$36,858</b>	<b>\$36,551</b>	<b>\$35,848</b>	<b>\$704</b>	<b>\$37,431</b>	<b>\$880</b>	<b>2.4</b>
<b>TOTAL ELECTRIC OPERATING REVENUES</b>	<b>\$1,160,719</b>	<b>\$1,083,901</b>	<b>\$1,486,128</b>	<b>\$1,182,466</b>	<b>\$303,662</b>	<b>\$1,248,279</b>	<b>(\$237,849)</b>	<b>(16.0)</b>

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

## Energy Sales

### Average Cents/kWh

The average price per kWh for retail customers is budgeted to be 8.62 cents for 2022. This is 0.30 cents or a 3.3% decrease from the 8.91 cents that is projected for 2021. The year over year decrease is primarily in the industrial customer class and is due to the impact on 261M customers during market price increases during the February 2021 Polar Vortex weather event.

Please note that the assumed average retail rate increase of 2.5% is not reflected in this comparison. The assumed retail rate increase is not broken out by class in this Preliminary COP, but will be split into customer classes and reflected in this comparison in the Final COP.

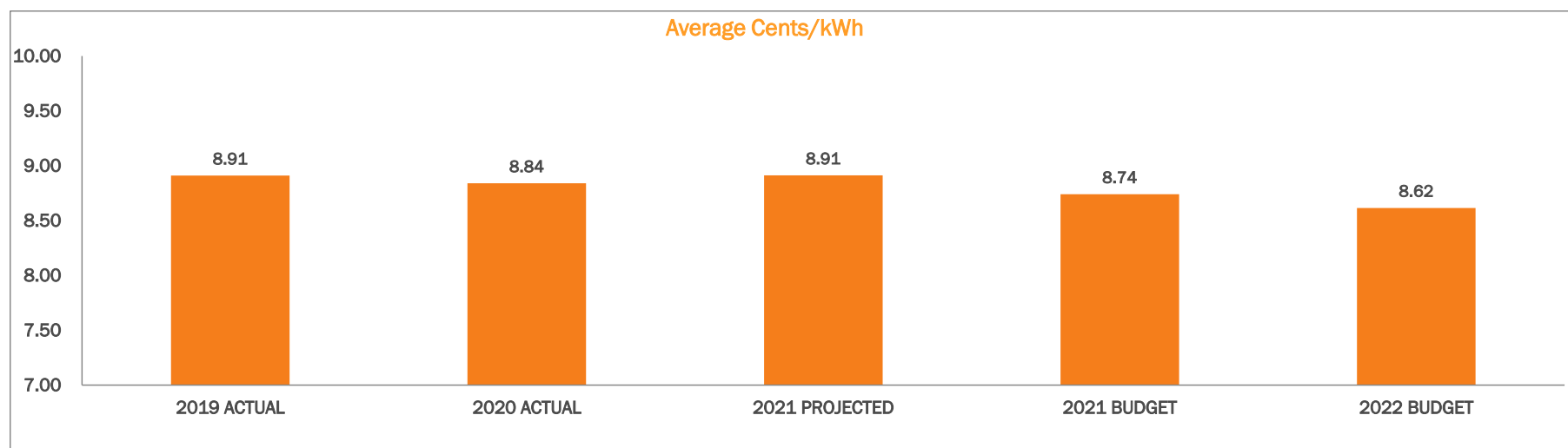
This price per kWh variance is the result of actual billings relative to energy sold as opposed to a rate change.



AVERAGE CENTS/kWh

Average Cents/kWh

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	22 BUDGET VS. 21 PROJ.	
	2019	2020	2021	2021	2021	2022	\$ CHANGE	% CHANGE
RESIDENTIAL	11.29	11.39	11.28	11.41	(0.14)	11.49	0.21	1.9
COMMERCIAL	8.82	8.95	8.84	8.83	0.01	8.91	0.07	0.8
INDUSTRIAL	6.37	6.11	6.75	6.32	0.43	6.14	(0.62)	(9.1)
<b>RETAIL AVERAGE *</b>	<b>8.91</b>	<b>8.84</b>	<b>8.91</b>	<b>8.74</b>	<b>0.17</b>	<b>8.62</b>	<b>(0.30)</b>	<b>(3.3)</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 and do not incorporate accrued unbilled. These rates differ from customer billed rates and are calculated for benchmarking and illustrative purposes only.



# Net System Requirements



## Net System Requirements

Net system requirements (Total General Business Sales as shown on the next page) for 2022 are budgeted to be 12,778,073 MWh, an increase of 6.0% from the 2021 projected amount. The major components of net system requirements are below by sales and supply components.

Total sales are budgeted to increase 1,131,536 MWh or 7.0% from the 2021 projected amount. Retail general business sales are budgeted to increase 633,290 MWh from the 2021 projected amount. Wholesale sales, excluding NC2 participation sales, are budgeted to increase by 586,071 MWh or 26.1% from the 2021 projected amount.

Net generation is budgeted to increase 13.3% in 2022 to 10,865,661 MWh and firm/participation purchases are budgeted to increase 1.4% from the 2021 projected amount. Wholesale purchases are budgeted to decrease 112,158 MWh in 2022 from the 2021 projected amount primarily due to more planned generation.

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

	PROJECTED 2021	BUDGET 2022	INCREASE / (DECREASE)	% CHANGE
<b>Sales Components</b>				
Retail General Business Sales	11,517,001	12,150,291	633,290	5.5
NC2 Participation Sales	2,404,664	2,316,838	(87,825)	(3.7)
Wholesale Sales	2,245,038	2,831,109	586,071	26.1
<b>Total</b>	<b>16,166,703</b>	<b>17,298,238</b>	<b>1,131,536</b>	<b>7.0</b>
<b>Supply Components</b>				
Net Generation	9,591,322	10,865,661	1,274,339	13.3
Firm/Participation Purchases	4,015,077	4,070,247	55,170	1.4
Wholesale Purchases	3,102,272	2,990,113	(112,158)	(3.6)
Lost or Unaccounted For	(541,967)	(627,782)	(85,815)	15.8
<b>Total</b>	<b>16,166,703</b>	<b>17,298,238</b>	<b>1,131,536</b>	<b>7.0</b>

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

NET SYSTEM REQUIREMENTS

Net System Requirements

	ACTUAL 2019	ACTUAL 2020	PROJECTED 2021	BUDGET 2021	VARIANCE 2021	BUDGET 2022	22 BUDGET VS. 21 PROJ. MWh CHANGE % CHANGE	
NET GENERATION (MWh)								
<b>TOTAL NET GENERATION</b>	<b>9,053,629</b>	<b>9,737,662</b>	<b>9,591,322</b>	<b>10,463,343</b>	<b>(872,021)</b>	<b>10,865,661</b>	<b>1,274,339</b>	<b>13.3</b>
FIRM/PARTICIPATION PURCHASES	3,400,907	4,272,471	4,015,077	4,006,528	8,549	4,070,247	55,170	1.4
WHOLESALE PURCHASES	3,289,773	2,476,198	3,102,272	2,848,176	254,096	2,990,113	(112,158)	(3.6)
<b>TOTAL PURCHASES</b>	<b>6,690,680</b>	<b>6,748,670</b>	<b>7,117,348</b>	<b>6,854,704</b>	<b>262,645</b>	<b>7,060,360</b>	<b>(56,988)</b>	<b>(0.8)</b>
<b>TOTAL INPUT</b>	<b>15,744,309</b>	<b>16,486,332</b>	<b>16,708,670</b>	<b>17,318,047</b>	<b>(609,377)</b>	<b>17,926,020</b>	<b>1,217,350</b>	<b>7.3</b>
WHOLESALE SALES								
NC2 PARTICIPANT	1,880,606	1,861,619	2,404,664	2,151,600	253,064	2,316,838	(87,825)	(3.7)
OTHER	2,546,862	3,088,859	2,245,038	3,055,352	(810,314)	2,831,109	586,071	26.1
<b>TOTAL WHOLESALE SALES</b>	<b>4,427,468</b>	<b>4,950,477</b>	<b>4,649,702</b>	<b>5,206,952</b>	<b>(557,251)</b>	<b>5,147,948</b>	<b>498,246</b>	<b>10.7</b>
NET SYSTEM REQUIREMENTS	11,316,841	11,535,854	12,058,968	12,111,094	(52,126)	12,778,073	719,104	6.0
TOTAL GENERAL BUSINESS SALES	10,919,803	11,088,938	11,517,001	11,533,480	(16,479)	12,150,291	633,290	5.5
ENERGY LOST OR UNACCOUNTED FOR	397,038	446,916	541,967	577,614	(35,647)	627,782	85,815	15.8
<b>TOTAL GEN. BUS. SALES</b>	<b>11,316,841</b>	<b>11,535,854</b>	<b>12,058,968</b>	<b>12,111,094</b>	<b>(52,126)</b>	<b>12,778,073</b>	<b>719,104</b>	<b>6.0</b>

PEAK LOAD (MW)								
EXCLUDES DSM	2,604	2,554	2,696	2,640	56	2,786	90	3.3
INCLUDES DSM	2,447	2,392	2,526	2,470	56	2,601	75	3.0
LOAD FACTOR (%) - REFLECTS DSM	53.5	55.6	55.8	56.0	(0.2)	56.9	1.1	2.0

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding. DSM stands for Demand Side Management and includes Demand Response and Energy Efficiency components.



# Operation, Maintenance, and Decommissioning Expenses



## Operation, Maintenance, and Decommissioning Expenses

The District's 2022 total budgeted operations and maintenance (O&M) expense is \$803.4 million, which is \$270.3 million or 25.2% less than the 2021 projected amount. In general, 2022 budget is lower than the 2021 projection due to higher fuel and purchased power in 2021 related to the Polar Vortex weather event as well as the 2021 contribution to the pension liability made from the Decommissioning and Benefits Reserve fund.

Fuel expense represents 18.5% of total O&M expense. Fuel expense is budgeted at \$148.2 million for 2022, a decrease of \$57.8 million or 28.1% less than the 2021 projected amount primarily due to the Polar Vortex weather event of 2021.

Production expense represents 13.5% of the total and is budgeted to be \$108.5 million in 2022, which is \$2.1 million or 2.0% greater than the 2021 projected amount. The primary driver is scheduled outages.

Purchased power, including wind purchases, represents 28.5% of total O&M expense and is budgeted at \$228.5 million for 2022. This represents a decrease of \$159.3 million or 41.1% below the 2021 projected amount. The decrease from the 2021 projection is primarily due to the Polar Vortex weather event in 2021.

Transmission and distribution expense represents 15.9% of total O&M expense and is budgeted at \$128.0 million, which is \$2.5 million or 2.0% more than the 2021 projected amount. The increase over the projected amount for 2021 is associated with asset health maintenance and inspection activities and the grid modernization strategic initiative.

Customer accounting and services expense represents 5.7% of total O&M expense and is budgeted at \$45.9 million for 2022. This represents an increase of \$5.3 million or 13.1% more than the 2021 projected amount. Contributors to the increase over the 2021 projection include customer engagement strategic initiative, as well as investments in the technology strategic initiative and the push to reduce technical debt.

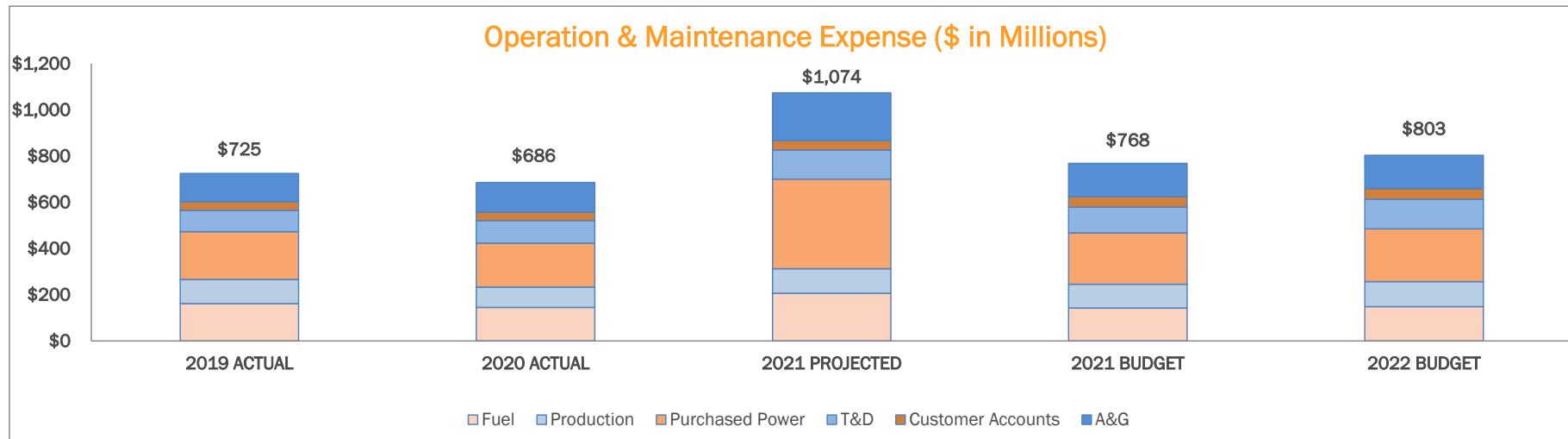
Administrative and general expense represents 17.9% of total O&M expense and is budgeted at \$144.2 million for 2022. This category reflects a decrease of \$63.1 million or 30.4% less than the 2021 projected amount. The primary reduction in 2022 is related to the recognition of the use of the Decommissioning and Benefit Reserve in 2021. This is partly offset by investments in the technology initiatives, facilities improvements, and overall growth in staffing plans.

Decommissioning expenses represent the annual funding of the decommissioning liability. The decommissioning funding for 2022 is budgeted to be \$138.9 million, which is \$7.2 million more than the 2021 projected amount.

**OPERATION, MAINTENANCE, AND DECOMMISSIONING EXPENSES**  
(DOLLARS IN THOUSANDS)

**Operation, Maintenance, and Decommissioning Expenses**

	ACTUAL 2019	ACTUAL 2020	PROJECTED 2021	BUDGET 2021	VARIANCE 2021	BUDGET 2022	22 BUDGET VS. 21 PROJ. \$ CHANGE	% CHANGE
FUEL	\$161,737	\$145,059	\$206,071	\$142,650	\$63,421	\$148,243	(\$57,828)	(28.1)
PRODUCTION	104,771	88,602	106,426	102,481	3,945	108,540	2,114	2.0
PURCHASED POWER	206,742	189,880	387,815	222,371	165,444	228,491	(159,324)	(41.1)
TRANSMISSION AND DISTRIBUTION	91,926	97,051	125,506	112,122	13,383	128,033	2,528	2.0
CUSTOMER ACCOUNTING AND SERVICES	37,358	37,229	40,615	44,271	(3,656)	45,922	5,307	13.1
ADMINISTRATIVE AND GENERAL	122,357	128,265	207,235	144,419	62,817	144,165	(63,070)	(30.4)
<b>TOTAL O&amp;M EXPENSE</b>	<b>\$724,891</b>	<b>\$686,086</b>	<b>\$1,073,668</b>	<b>\$768,314</b>	<b>\$305,354</b>	<b>\$803,394</b>	<b>(\$270,274)</b>	<b>(25.2)</b>
<b>DECOMMISSIONING EXPENSES</b>	<b>\$143,004</b>	<b>\$130,035</b>	<b>\$131,745</b>	<b>\$129,442</b>	<b>\$2,303</b>	<b>\$138,923</b>	<b>\$7,178</b>	<b>5.4</b>



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



# Capital Expenditure Plan





### Capital Expenditure Plan

#### Capital Expenditures

Capital expenditures for 2022 are budgeted at \$670.0 million, which is \$283.0 million more than the 2021 projected capital expenditures.

Production Plant expenditures for 2022 are budgeted to be \$418.1 million, which is \$216.7 million or 107.6% more than the 2021 projected expenditures. The year over year increase is primarily related to the Power with Purpose project.

Transmission and Distribution Plant expenditures for 2022 are budgeted to be \$178.5 million, which is \$27.9 million or 18.5% more than the 2021 projected expenditures primarily due to the expansion of our transmission and distribution infrastructure to provide reliable electric service to a growing community.

General Plant and Removal and Salvage for 2022 are budgeted to be \$73.4 million, which is \$38.4 million or 109.6% higher than the 2021 projected expenditures driven by business technology investments and facilities investments and upgrades.

The 2022 Capital Budget total was derived by breaking investments into two categories, labeled sustain and expand. The sustain category includes routine capital projects that are aimed at maintaining and improving existing assets and is budgeted at a consistent level year over year. The expand category is for new assets planned to be added to the District's asset base, such as the Power with Purpose project. The sustain and expand categorization helps to ensure that existing assets are still being invested in at sufficient levels while new assets are being added. For 2022, the sustain category accounts for 26% or \$174.2 million of the total capital budget and the expand category accounts for 74% or \$495.8 million.

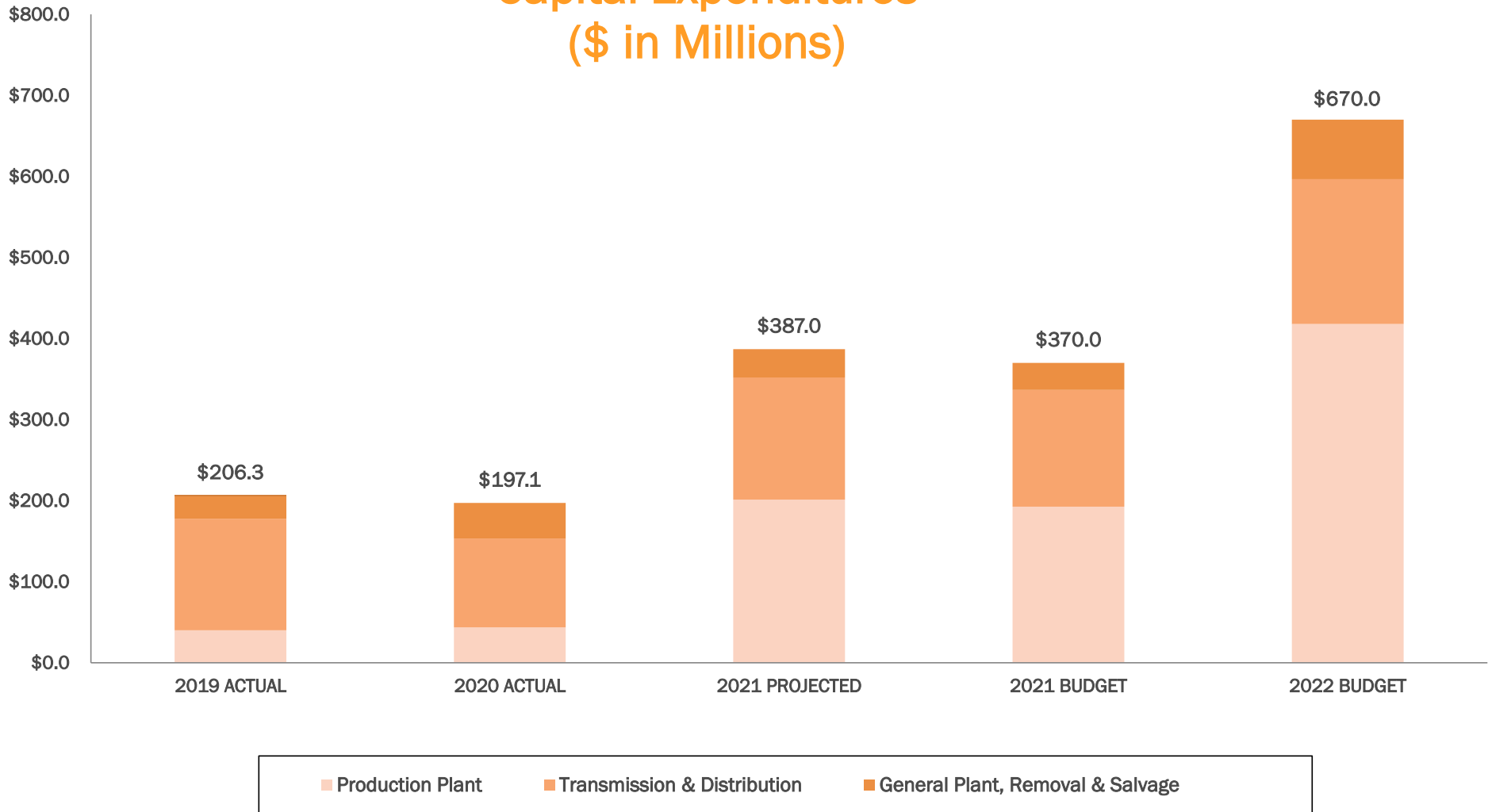
**CAPITAL EXPENDITURES  
(DOLLARS IN THOUSANDS)**

**Capital Expenditures**

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	22 BUDGET VS. 21 PROJ.	
	2019	2020	2021	2021	2021	2022	\$ CHANGE	% CHANGE
PRODUCTION PLANT	\$39,995	\$43,806	\$201,385	\$192,539	\$8,846	\$418,102	\$216,717	107.6
TRANSMISSION AND DISTRIBUTION PLANT	137,774	109,630	150,606	143,990	6,616	178,527	27,921	18.5
GENERAL PLANT	26,424	43,549	33,483	32,012	1,471	70,836	37,353	111.6
REMOVAL AND SALVAGE	2,108	149	1,525	1,458	67	2,535	1,010	66.2
<b>TOTAL</b>	<b>\$206,301</b>	<b>\$197,134</b>	<b>\$387,000</b>	<b>\$370,000</b>	<b>\$17,000</b>	<b>\$670,000</b>	<b>\$283,000</b>	<b>73.1</b>

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

## Capital Expenditures (\$ in Millions)



**CAPITAL EXPENDITURES  
SIGNIFICANT PROJECT DESCRIPTIONS AND HIGHLIGHTS  
(DOLLARS IN THOUSANDS)**

RECOMMENDED PROJECTS:	2014-2020 Expenditures	2021 Projection	2022 Budget	2014-2022 Project Expenditures
<b>Power with Purpose</b> Support generation and transmission & distribution for Board Resolution No. 6351 approved on November 14, 2019 to reduce the District's carbon footprint and serve a growing load.	\$11,311	\$177,428	\$440,775	\$629,514
<b>Cass County Turbine Hot Gas Path Refurbishment</b> Required maintenance for turbine reliability.	\$0	\$3,169	\$22,829	\$25,998
<b>Circuit and Substation Upgrades</b> Upgrade and replace multiple circuits and substations to meet customer needs.	\$8,789	\$9,071	\$16,767	\$34,627
<b>Facilities Investments and Upgrades</b> Investment and upgrades to various OPPD facilities, which are all over 30 years old with only minor enhancements throughout their life.	\$0	\$0	\$11,718	\$11,718
<b>Transportation Fleet Replacement</b> Routine replacement of OPPD-owned transportation equipment, including light, medium and heavy duty trucks and construction equipment.	\$43,390	\$5,440	\$11,385	\$60,215
<b>Generation Station Intake Structure Environmental Upgrade</b> Replace existing traveling screens (circulating water intake structure) at North Omaha and Nebraska City Fossil locations for renewal of the environmental permit.	\$0	\$0	\$10,928	\$10,928
<b>Transformer Purchases and Replacements</b> Procure transformers to replace aging equipment and support load growth.	\$13,094	\$6,015	\$10,564	\$29,673

**CAPITAL EXPENDITURES  
SIGNIFICANT PROJECT DESCRIPTIONS AND HIGHLIGHTS  
(DOLLARS IN THOUSANDS)**

RECOMMENDED PROJECTS:	2014-2020 Expenditures	2021 Projection	2022 Budget	2014-2022 Project Expenditures
<p><b>Transmission Distribution Improvement Program-Cable Replacement</b> Replace the worst performing underground distribution cable on a performance driven basis.</p>	\$23,961	\$10,637	\$9,409	\$44,007
<p><b>Customer Service Residential Project</b> Purchase and installation of underground or overhead infrastructure to new residential developments.</p>	\$49,515	\$10,767	\$9,285	\$69,567
<p><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.</p>	\$52,799	\$11,994	\$9,261	\$74,055
<p><b>Customer Service Commercial and Industrial Project</b> Purchase and installation of underground or overhead infrastructure for commercial and industrial customers.</p>	\$56,984	\$10,447	\$8,647	\$76,078
<p><b>Upgrade Customer Information System</b> Information Technology upgrade to the enterprise customer information software that is used to manage and store customer information.</p>	\$2,076	\$3,454	\$6,942	\$12,473
<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>	\$43,956	\$5,245	\$6,909	\$56,110
<p><b>Transmission Distribution Improvement Program-Distribution Poles</b> Replace distribution poles in conjunction with the ongoing Transmission and Distribution System Improvement Projects.</p>	\$15,294	\$6,718	\$4,167	\$26,179

**CAPITAL EXPENDITURES  
SIGNIFICANT PROJECT DESCRIPTIONS AND HIGHLIGHTS  
(DOLLARS IN THOUSANDS)**

RECOMMENDED PROJECTS:	2014-2020 Expenditures	2021 Projection	2022 Budget	2014-2022 Project Expenditures
<b>Fiber Network Expansion Project</b> Expand OPPD Fiber optics connectivity to replace the current analog communications services.	\$34,499	\$7,660	\$3,900	\$46,059
<b>Substations and Control Centers Security Upgrades</b> Security modifications required to address identified threats and vulnerabilities at various substation and control centers.	\$0	\$0	\$3,456	\$3,456
<b>Nebraska City Landfill</b> New ash disposal landfill to meet operating needs.	\$0	\$95	\$3,415	\$3,510
<b>Transmission and Distribution Street Light Project</b> Relocation of OPPD street lights facilities that are located in public road right-of-way.	\$18,624	\$3,675	\$3,184	\$25,483
<b>Battery Energy Storage System</b> Obtain and test utility-grade battery storage to determine how it will integrate with the District's power grid.	\$0	\$531	\$2,783	\$3,314
<b>Ground Line Inspection and Treatment Pole Replacement</b> Replace degraded wood poles and structures used for transmission and distribution.	\$3,291	\$3,176	\$2,773	\$9,240
<b>Transmission Distribution Improvement Program-Conductors</b> Replace junk conductors on a performance driven basis.	\$5,950	\$1,567	\$2,769	\$10,286

**CAPITAL EXPENDITURES  
SIGNIFICANT PROJECT DESCRIPTIONS AND HIGHLIGHTS  
(DOLLARS IN THOUSANDS)**

RECOMMENDED PROJECTS:	2014-2020 Expenditures	2021 Projection	2022 Budget	2014-2022 Project Expenditures
<p><b>North Omaha Cofferdam Replacement</b> Replace aging and damaged North Omaha cofferdam to address safety and operational concerns.</p>	\$0	\$106	\$2,577	\$2,683
<p><b>Light Emitting Diode (LED) Streetlight Conversion</b> The conversion of streetlights to a LED standard.</p>	\$11,246	\$3,564	\$2,166	\$16,976
<p><b>Customer Service Phone System Replacement</b> Modernize the customer service contact systems.</p>	\$23	\$1,659	\$1,531	\$3,213
<p><b>Installation of an Autotransformer at a Substation</b> Expansion to accommodate residential growth by installing a new auto transformer at a substation.</p>	\$911	\$3,544	\$800	\$5,255
<p><b>Nebraska City Common Levee Certification</b> Determine what physical improvements, operational requirements and maintenance activities are needed for the levee to be accredited and accepted by FEMA as providing 100 year flood protection and regain active status with the USACE PL84-99 Rehabilitation Program.</p>	\$2,205	\$3,461	\$732	\$6,399
<p><b>Substation Circuit Upgrade</b> Upgrade of two circuits required to maintain reliability due to increased load.</p>	\$67	\$1,598	\$211	\$1,877



Board of Directors  
Omaha Public Power District  
444 South 16th Street Mall  
Omaha, Nebraska 68102-2247

Ladies and Gentlemen:

The Board of Directors and Management of the Omaha Public Power District (the District) requested **The Brattle Group (Brattle)** to review the Preliminary 2022 Corporate Operating Plan prepared by the District for the following year. We have received the Preliminary 2022 Corporate Operating Plan (2022 Corporate Operating Plan) being prepared by the District and associated presentations. We are providing this preliminary letter to update the Members of the Board of our status of our review. We have not completed our review of the 2022 Corporate Operating Plan as of the date of this letter. We received data in the form of the 2022 Preliminary Corporate Operating Plan in addition to eleven presentations. We reviewed presentations on topics ranging from load forecasting, fuel planning, employee benefits, and budgetary and finance matters. The Brattle team attended numerous presentations on the topics in late September and early October. The District presented these presentations to us over eight meetings, with the chance for us to engage in a dialogue on the topics and ask questions. The data and information we have reviewed seems reasonable, the District is answering our questions and providing clarification on topics and we have not come across any issues or areas of concern.

When Brattle has completed its review of the 2022 Corporate Operating Plan, we will forward our completed letter report to the Members of the Board. We appreciate the opportunity to serve the District. If you should have any questions concerning this preliminary review, we would be glad to discuss them with you at your convenience.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Philip Q Hanser".

Philip Q Hanser  
The Brattle Group  
Principal Emeritus

A handwritten signature in black ink, appearing to read "Agustin J. Ros".

Agustin J. Ros  
The Brattle Group  
Principal



November 4, 2021

Board of Directors  
Omaha Public Power District  
444 South 16th Street Mall  
Omaha, Nebraska 68102-2247

Ladies and Gentlemen:

## I. Background

The Omaha Public Power District (“the District”) proposes an average general rate increase of 2.5 percent to be effective on January 1, 2022. Consistent with its policy of aligning rates with costs, the proposed percentage increase in base rates varies among customer classes. In addition, the District proposes a modification to the formula for the fuel and purchase power adjustment (“FPPA”) to include off-system sales to the current FPPA formula.

## II. Discussion

We have worked closely with the District on its cost of service study (“COSS”), including reviewing the methodology and associated spreadsheets. The primary purpose of a COSS is to allocate the costs of providing service to different customer classes based upon cost causation principles and the costs that each customer class imposes on the system.

We have also discussed with the District its concern regarding its FPPA. The FPPA is a mechanism to reflect the changes in fuel and purchase power costs, which can be highly volatile at times. Increased volatility in the last five years has resulted in higher than usual under-collection. As a result, the District has “forgiven” part of the under collected amount three out of the previous four years to minimize customer impact. Upon our recommendation to find alternative ways to stabilize the formula, the District proposes including off-system sales in the current FPPA formula.

## III. Findings

We find that the District follows standard industry practices in developing its COSS, and its proposed rate changes are cost-based. In addition, the range of proposed increases among customer classes maintains rate stability and mitigates impacts on customers. We find the proposed rate changes to be fair, reasonable, and non-discriminatory. Using the COSS to assist the District in its rate proceeding results in more economically efficient rates.

The Brattle Group has worked with the District on ways to stabilize the FPPA in the face of increasing volatility and uncertainty. Accordingly, we find that the District's recommendation to include off-system sales to the FPPA formula is reasonable. It does not dilute the fundamental objectives of fuel adjustment clauses and is consistent with industry practice.

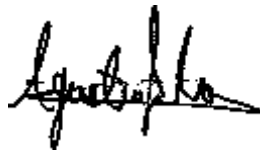
#### IV. Recommendation

We recommend Board adoption of the COSS for ratemaking purposes and including off-system sales to the FPPA formula.

Respectfully yours,



Philip Q Hanser  
The Brattle Group  
Principal Emeritus



Agustin J. Ros  
The Brattle Group  
Principal