

Revised NPPD Formula Rate Implementation Protocols Under the Southwest Power Pool (SPP) Open Access Tariff & Revised 2022 and 2023 Annual Updates to the NPPD Formula Rate Template

NPPD Board of Directors
President's Report
January 12, 2023

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Pricing Rates & Wholesale Billing Manager



Nebraska Public Power District

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Objective

- Seeking approval for:
 - Revised NPPD Formula Rate Implementation Protocols
 - Revised 2022 & 2023 Annual Updates to NPPD's Formula Rate Template
- The rates calculated in the Rate Template apply to entities that take transmission service directly from SPP under their tariff
 - NPPD's wholesale customers (Rurals, Municipalities, Retail Division) do not directly pay these rates and pay for transmission service under the appropriate NPPD wholesale rate schedule

Overview

- NPPD's Formula Rate Template establishes its transmission revenue requirements and rates for SPP transmission service
 - NPPD populates the Template each year with forecasted/actual expenses and loads
 - Contains worksheets with specific, itemized cost types (“FERC Accounts”)
- NPPD's Formula Rate Implementation Protocols establish the process and timelines for annual updates to the rates and for the annual true-up adjustments between forecasted and actual costs
 - In recent years, FERC has been reviewing Protocols of many transmission owners and issuing orders for them to be reviewed
- Both were originally developed and approved by the Board in late 2008
- Both are contained in SPP's Tariff, and were accepted by FERC

	Date	Protocols	Template
1	May 19, 2022	FERC Order issued to NPPD to review its protocols (subsequently rescinded and replaced by July 14th Order)	NPPD recognizes that changes to the Protocols will require changes to the Template also
2	June 23		NPPD Board approval of revised Template to specifically list FERC Account 569
3	June 29		NPPD filed with FERC for remedial relief to allow NPPD to retain FERC Account 569 costs from prior years
4	June 30		SPP filed NPPD's revised Template with FERC (amended on August 17th in response to FERC's request)
5	July 14	FERC Order issued to SPP to review NPPD's protocols	
6	August 31		FERC accepted the revised Template, with effective date of September 1st
7	September 8	NPPD Board approval of revised Protocols	NPPD Board approval of revised Template to align with Protocol timelines
8	September 30	SPP filed NPPD's revised Protocols with FERC	SPP filed NPPD's revised conforming Template with FERC
9	November 18		FERC Order denying request for remedial relief; Refund required for a portion of FERC Account 569 costs previously collected
10	November 30	FERC issues deficiency letter requiring additional changes to revised Protocols	
11	January 12, 2023	NPPD Board agenda item to consider approval of revised Protocols for SPP's use in FERC filing	NPPD Board agenda item to consider approval of revised 2022 and 2023 Annual Updates to Template for SPP's use in providing refunds

Proposed Protocol Timeline Changes

	Original Proposal	Revised Proposal
True-Up Publication Date	By May 1	By May 1
True-Up Meeting	NA	By Jun 1
True-Up Information Requests Due	Jun 30	75 days following TU Publication date
# Business Days to Respond to Interested Parties	15	15
True-Up Informal Challenges Due	Jun 30	Later of 30 days from the date of the last response or Nov 21
# Business Days to Respond to Interested Parties	20	20
Annual Update Publication Date	By Aug 1	By Aug 1
Annual Update Meeting	By Aug 31	By Aug 31
Annual Update Information Requests Due	Sept 30	60 days following AU Publication date
# Business Days to Respond to Interested Parties	15	15
Annual Update Informal Challenges Due	Sept 30	Later of 30 days from the date of the last response or Nov 21
# Business Days to Respond to Interested Parties	20	20
Final Day to Make Adjustments to the Annual Update	Oct 31	Nov 30
Board Meeting for Approval	Nov or Dec	Dec
Final Posting	By Dec 20	By Dec 20
Template Effective	Jan 1	Jan 1
Informational Filing	By Jan 15	By Jan 15
Formal Challenges Due	Mar 31	Mar 31

Revisions allow Interested Parties more time to review and ask questions

Background - Rate Template and FERC Account 569

- In 2009, NPPD began booking expenses to Account 569 (“Maintenance of Structures – Transmission”) for the first time
 - Not a new cost; NPPD had previously included these expenses in Account 561
 - No specific line item existed in the Template for Account 569
- Resolution was to continue to combine Account 569 costs with those in Account 561 for inclusion in the Template
 - Account 569 contains legitimate transmission expenses in which NPPD should be able to collect
 - Added this issue to the list of changes to propose the next time there was to be a revision to the Template

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Financial Impact of Refund of FERC Account 569 Costs

- NPPD staff has discussed the mechanics of the refund/rebilling with SPP staff
- SPP’s Tariff limits billing adjustments to the prior 12 months
 - It is anticipated that SPP will resettle SPP customer bills starting with January 2022 service
 - Requires NPPD to revise Schedule 1 and Worksheet K of the 2022 & 2023 Annual Updates to the Template to exclude the recovery of Account 569 costs in the annual true-up and provide to SPP for their use in billing
 - Estimated financial impact of the refund to NPPD is approximately \$1.1 million

Year of Annual Update	Year of Included True-Up	Change in Rev. Reqt. (\$ Million)	Estimated Impact to NPPD (16%) (\$ Million)	Billing Mechanics
(A)	(B)	(C)	(D)	(E)
2022	2020	\$ (2.2)	\$ (0.3)	SPP will resettle customers' 2022 bills in 2023
2023	2021	\$ (2.9)	\$ (0.5)	SPP will bill normally using revised revenue requirements in 2023
2024	2022	\$ (1.7) *	\$ (0.3)	SPP will bill normally using revised revenue requirements in 2024
		Total:	\$ (1.1)	

* Amount shown is an estimate for 8 months of 2022 costs, since NPPD is able to collect for FERC 569 costs effective September 1, 2022.

Remaining Schedule

- January 12 – Board agenda item to request approval of revisions to NPPD’s Protocols and to the 2022 and 2023 Annual Updates to the Template
- Mid-January -
 - NPPD provides revised 2022 and 2023 Annual Updates to the Template to SPP for their use in billing
 - NPPD provides revised Protocols to SPP for use in developing its FERC filing documents
- January 30 – Deadline for SPP to make FERC filing on the revised Protocols
- 60 days after filing – Requested effective date of revised Protocols

Questions?

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