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Wholesale and Retail Rate Update for 2024

NPPD Board of Directors Meeting
President's Report
July 2023

Todd Swartz, Director of Pricing, Rates & Wholesale Billing



Objectives

- Share results of recently completed wholesale rate study and retail cost-of-service rate study
- Share preliminary recommendations for proposed changes to 2024 wholesale and retail rates
- Share preliminary recommendations for proposed changes to wholesale and retail rate schedule language and provisions
 - Proposed effective date for all rate schedules is January 1, 2024

Wholesale Rate Schedules

<u>Rate Schedule</u>	<u>Description</u>
1 GFPS*	General Firm Power Service
2 Supplement No. 1	Demand Waiver Program
3 Special Power Product No. 2	Simultaneous Buy/Sell
4 Special Power Product No. 3	Energy Curtailment Program
5 Special Power Product No. 5	Standby Service
6 Special Power Product No. 6	Economic Development Rate
7 Special Power Product No. 8	Interruptible Rate
8 Special Power Product No. 9	Market-Based Rate
9 Special Power Product No. 10	Interruptible Market-Based Rate
10 Special Power Product No. 11	Demand Response Resource Rate
11 PCA	Production Cost Adjustment
12 T-2	Transmission Service

*GFPS applies to customers that have signed the 2016 Wholesale Power Contract (22 Rurals, 1 Electric Membership Corporation, 37 Municipalities), and the NPPD Retail Division

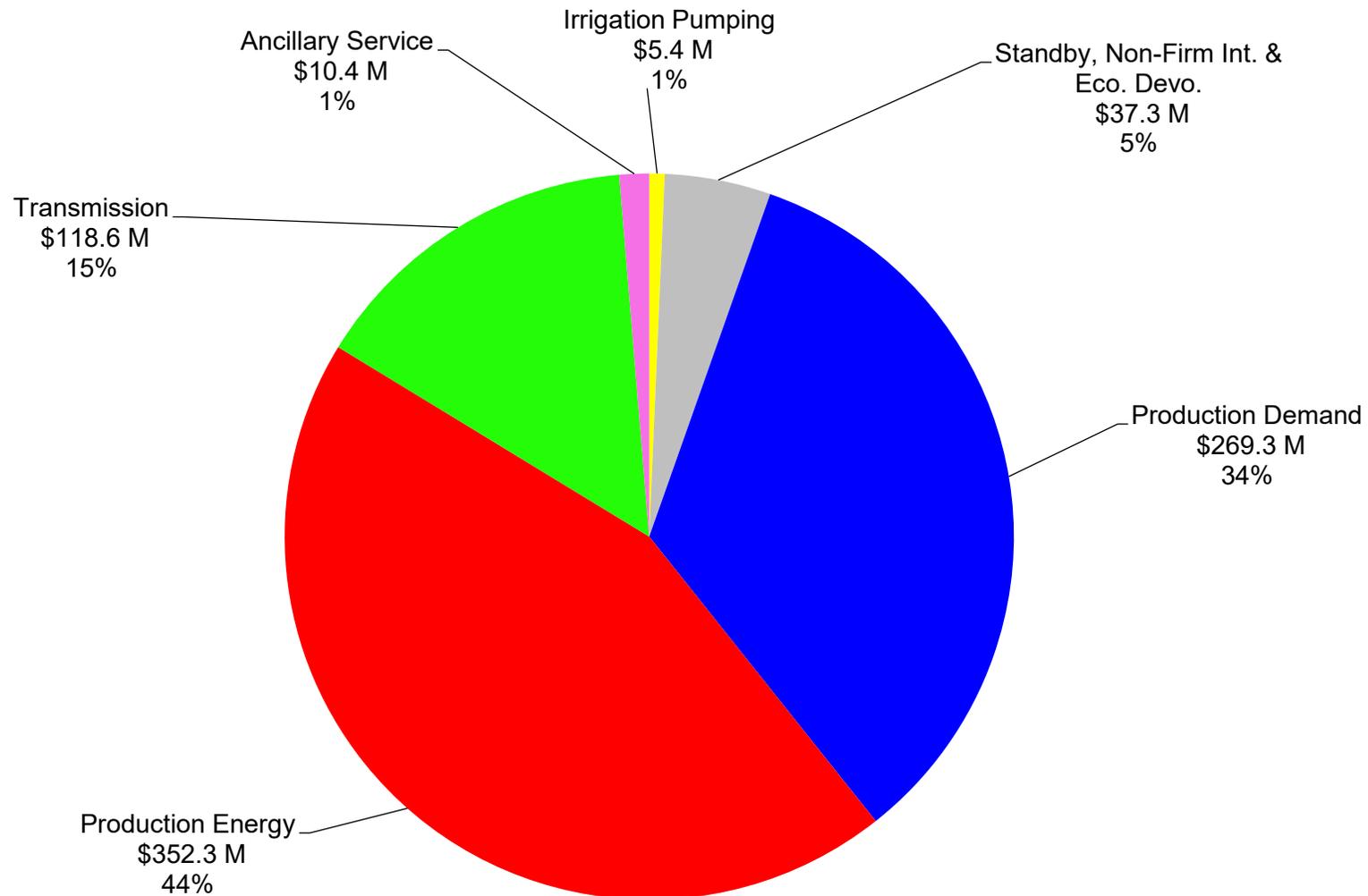
General Firm Power Service (GFPS) Wholesale Rates Preliminary Proposal for 2024

- Transmission: no changes in rates
- Production: no change in overall base rates; there will be proposed changes in individual demand/energy rates as a result of the Rate Study
 - One-year refund of remaining funds in production Rate Stabilization Account (RSA) in excess of the 10% accumulation limit
 - \$56.8 million returned to the customers through a Production Cost Adjustment (PCA) Rate
 - 2024 PCA Factor = $\$(0.004369)/\text{kWh}$
 - Applies to bills for Jan. - Dec. 2024 service
 - January 2024 service billings will include an additional PCA credit for the remaining 2023 PCA in effect from Feb. 2023 - Jan. 2024.

GFPS Wholesale Rates Preliminary Proposal for 2024 (cont'd)

- Wholesale:
 - 7th year in a row of no overall wholesale base rate increase
 - 6th year in a row of a PCA refund
 - 2019: \$26.8 million
 - 2020: \$46.1 million
 - 2021: \$73.2 million
 - 2022: \$74.2 million
 - 2023: \$33.9 million
 - 2024: \$56.8 million (proposed)
- Individual customer percent impacts will vary depending on customer usage characteristics
- Proposed effective date of January 1, 2024

Forecasted 2024 Wholesale GFPS Revenue Requirements (\$793.3M)



Irrigation Pumping Rates

- Product only available to wholesale customers with a Western Area Power Administration (WAPA) irrigation pumping allocation per contract (originated back in the 1950's)
 - Consists of approximately 99 MW of WAPA power
 - Demand and energy amounts are allocated to customers in months of April through October (typical irrigation months)
 - 31 wholesale customers receive an allocation
- NPPD's Irrigation Pumping rates in the GFPS Rate Schedule are set to recover the costs NPPD incurs for this WAPA power

Preliminary 2024 GFPS Irrigation Pumping Rates

	2023 Current Rates <hr style="width: 100%; margin: 0;"/> (A)	2024 Preliminary Rates <hr style="width: 100%; margin: 0;"/> (B)	% Increase/ (Decrease) <hr style="width: 100%; margin: 0;"/> (C)
Irrigation Pumping			
Demand (\$/kW)	\$ 9.17	\$ 9.17	0.0%
Energy (\$/kWh)	\$ 0.0159	\$ 0.0159	0.0%

- No change in individual customers’ total kW demand or kWh energy allocations for 2024

Preliminary 2024 GFPS Transmission and Ancillary Service Rates

- Same as preliminary rates for NPPD's Transmission Service (T-2) Rate Schedule

	2023 Current Rates <hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> (A)	2024 Preliminary Rates <hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> (B)	% Increase/ (Decrease) <hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> (C)
Transmission (\$/kW)			
Line	\$ 3.88	\$ 3.88	0.0%
Substation	\$ 0.52	\$ 0.52	0.0%
Ancillary Services (\$/kW & kWh)			
Reg. Up/Down, Spin. & Supl. Res.	\$ 0.00036	\$ 0.00044	22.2%
Reactive Supply	\$ 0.16	\$ 0.16	0.0%

Production Demand and Energy Rates

- Cost allocation methodologies impact the rate design and cost recovery for each of the following:
 - Demand vs. Energy
 - Summer (4 months) vs. Winter (8 months)
 - On-peak vs. Off-peak (for energy)
- Allocation factors have been updated with latest historical load and cost information

Preliminary 2024 GFPS Production Demand and Energy Rates

	2023 Current Rates <hr/> (A)	2024 Preliminary Rates <hr/> (B)	% Increase/ (Decrease) <hr/> (C)	
Production Demand				
Blend				
Summer	\$ 14.15	\$ 13.31	(5.9%)	} Demand = -2.6%
Winter	\$ 11.69	\$ 11.73	0.3%	
Gen Station				} Summer = -5.9%
Summer	\$ 14.42	\$ 13.58	(5.8%)	
Winter	\$ 12.25	\$ 12.18	(0.6%)	Winter = 0.3%
Production Energy				
Blend				} Seasonal Recovery:
Summer On-Peak	\$ 0.03372	\$ 0.03561	5.6%	
Summer Off-Peak	\$ 0.01928	\$ 0.01917	(0.6%)	Summer = 40.6%
Winter On-Peak	\$ 0.03160	\$ 0.03283	3.9%	Winter = 59.4%
Winter Off-Peak	\$ 0.02316	\$ 0.02239	(3.3%)	} Energy = 1.7%
Gen Station				
Summer On-Peak	\$ 0.03384	\$ 0.03567	5.4%	} Summer = 3.1%
Summer Off-Peak	\$ 0.01940	\$ 0.01923	(0.9%)	
Winter On-Peak	\$ 0.03175	\$ 0.03290	3.6%	} Winter = 0.9%
Winter Off-Peak	\$ 0.02331	\$ 0.02246	(3.6%)	

Customer Impacts Based on Preliminary Rates

- Utilizing each 2016 Wholesale Power Contract customer's 2022 actual billing units:
 - Average annual base rate increase = 0.0%
 - Summer = (1.0%)
 - Winter = 0.7%
 - Largest customer annual base rate increase = 0.2%
 - Largest customer annual base rate decrease = (0.6%)
 - Above amounts exclude the impact of the one-year refund via a PCA
 - Including increase in PCA credit, average annual decrease = (2.8%)

Preliminary Recommendations for 2024 Changes to the GFPS Rate Schedule

- Revise applicable rates
- Clarify NPPD's ability to claim the capacity of customer generation in certain situations
- Clarify the determination of summer production demand billing units when a customer ceases taking interruptible service
 - Only the customer's Firm Demand will be utilized in the calculation
- Consider raising the per-customer-site limit for qualifying customer generation that can offset GFPS demand billing units from 25 kW to 100 kW
 - Such generators would therefore not count against the wholesale customer's Qualifying Local Generation (QLG) limits

Preliminary Recommendations for 2024 Changes to Other Wholesale Rate Schedules

<u>Rate Schedule</u>	<u>Description</u>	<u>Proposed Changes for 2024</u>
1 GFPS	General Firm Power Service	See Previous Slide
2 Supplement No. 1	Demand Waiver Program	None
3 Special Power Product No. 2	Simultaneous Buy/Sell	Potentially modify metering requirements
4 Special Power Product No. 3	Energy Curtailment Program	None
5 Special Power Product No. 5	Standby Service	Potentially modify metering requirements; add several other clarifications
6 Special Power Product No. 6	Economic Development Rate	To be determined later this year and handled through separate proposal
7 Special Power Product No. 8	Interruptible Rate	Potentially modify metering requirements; add several other clarifications
8 Special Power Product No. 9	Market-Based Rate	Revise applicable rates; potentially modify metering requirements
9 Special Power Product No. 10	Interruptible Market-Based Rate	Revise applicable rates; potentially modify metering requirements
10 Special Power Product No. 11	Demand Response Resource Rate	Potentially modify metering requirements
11 PCA	Production Cost Adjustment	None
12 T-2	Transmission Service	Revise applicable rates

Special Power Product No. 4 and No. 7 are no longer in effect.

Schedule for Wholesale Rates

- July 13 – Board discussion
- July 20 – Discussion at wholesale Rate Review Committee meeting
- August 10 – Board discussion
- Late August – Issue GFPS Rate Study and T-2 Rate Study with proposed rates to Wholesale and T-2 Customers, respectively
 - 2016 Wholesale Power Contract specifies timing requirements for GFPS rate change process
- Late September – Hearing requests due
- October 11 or 12 – Rate hearing (if requested)
- November 9 – Board consideration of proposed rates
- January 1, 2024 – Proposed effective date

Retail Rates

Retail Rate Schedules

- Total of 35 retail rate schedules for service to customers in 79 cities and villages with a Professional Retail Operations (PRO) Agreement:
 - RS – Residential Service
 - RS-TOU – Residential Time-of-Use
 - GS – General Service (gas station, small business, etc.)
 - GSDM – General Service Demand (large grocery store, etc.)
 - HTS – High Tension Service (industrial/manufacturing, etc.)
 - LIS – Large Industrial Service
 - CESH, H-1 – Heating
 - IRRIG-1,2,3 – Irrigation Service
 - M-4 – Municipal Pumping Service
 - M-1, M-2, M-3, M-5, GS-3, ADL – Lighting Service
 - EV-PCS – Electric Vehicle Public Charging Station
 - CS – General Customer Service Charges
 - PA – Pole Attachments
 - PCA – Production Cost Adjustment

Retail Rate Schedule Riders (13)

Customer Generation Dependent

- Net Metering (NM-Rider)
- Simultaneous Buy/Sell (SI-Rider)
- Standby Service (ST-Rider)
- Community Solar (Solar-Rider)

Load Characteristic Dependent

- Demand Waiver (DW-Rider)
- Off-Peak (OP-Rider)
- Energy Curtailment (EC-Rider)
- Interruptible Service (INT-Rider)
- Market Based Rate (MKT-Rider)
- Interruptible Market Based Rate (IMB-Rider)
- Demand Response Resource (DRR-Rider)

Customer Characteristic Dependent

- Miscellaneous Municipal Service (MM-Rider)
- Standby Irrigation Service (SBIR-Rider)

Retail Rates Preliminary Proposal for 2024

- No overall retail base rate increase
 - Eleventh year in a row with no overall rate increase
 - However, will be proposing rate changes to individual customer classes
- Cost-of-Service (COS) study performed this year
 - Last study completed in 2020
 - Study indicates the need for rate adjustments between customer classes
- Changes since the last study include:
 - Updated loads, revenue requirements, load factors, and other allocation factors
- Each of these changes impact customer classes differently

COS Study Results

Customer Class	Number of Customers*	Est. Revenue Current Rates	Cost of Service Results	Cost of Service Adjustments	
				Percent of Incr/(Decr)	Annual Incr/(Decr)
(A)	(B)	(C)	(D)	(E)	(F)
1 Residential	73,658	\$ 110,031,000	\$ 109,130,000	(0.8%)	\$ (901,000)
2 Small Commercial	17,069	38,492,000	38,481,000	0.0%	(11,000)
3 Large Commercial	1,096	60,433,000	60,677,000	0.4%	244,000
4 Industrial	18	35,613,000	36,157,000	1.5%	544,000
5 Heating**	893	7,956,000	8,106,000	1.9%	150,000
6 Irrigation**	796	3,122,000	2,952,000	(5.4%)	(170,000)
7 Municipal Pumping	265	1,110,000	1,083,000	(2.5%)	(27,000)
8 Lighting**	31,290	3,598,000	3,790,000	5.4%	192,000
9 Subtotal	93,795	\$ 260,355,000	\$ 260,376,000	0.0%	\$ 21,000
10 Interruptible/EDR/Standby	4	70,734,000	71,040,000	0.4%	306,000
11 Total Retail	93,799	\$ 331,089,000	\$ 331,416,000	0.1%	\$ 327,000

* Totals for number of customers exclude lighting.

** Aggregate amounts shown for all Irrigation, Lighting and Heating subclasses. Individual subclass impacts will vary.

Irrigation and Lighting Subclass Results

Irrigation Subclass	Number of Customers	Est. Revenue Current Rates	Cost of Service Results	Cost of Service Adjustments	
				Percent of Incr/(Decr)	Annual Incr/(Decr)
(A)	(B)	(C)	(D)	(E)	(F)
1 No Control	414	\$ 1,570,000	\$ 1,463,000	(6.8%)	\$ (107,000)
2 Time-of-Use	31	124,000	120,000	(3.1%)	(4,000)
3 2-Day Control	146	766,000	729,000	(4.8%)	(37,000)
4 Anytime Control	205	662,000	640,000	(3.3%)	(22,000)
Total Irrigation	796	\$ 3,122,000	\$ 2,952,000	(5.4%)	\$ (170,000)

Lighting Subclass	Number of Lights	Est. Revenue Current Rates	Cost of Service Results	Cost of Service Adjustments	
				Percent of Incr/(Decr)	Annual Incr/(Decr)
(A)	(B)	(C)	(D)	(E)	(F)
1 Municipal Streetlighting	22,647	\$ 2,509,000	\$ 2,647,000	5.5%	\$ 138,000
2 Highway, Roadway & Alley	609	91,000	98,000	7.3%	7,000
3 Area/Directional	6,672	903,000	937,000	3.8%	34,000
4 General Service Lighting (Energy Only)	1,362	94,000	109,000	15.3%	15,000
Total Lighting	31,290	\$ 3,597,000	\$ 3,791,000	5.4%	\$ 194,000

Retail Rates Preliminary Proposal for 2024 (cont'd)

- Move all major retail rate classes to amounts indicated by cost-of-service
- Within the Lighting class, phase-in to cost-of-service amounts by limiting increase for subclasses to 7.5%
 - Applies to General Service Lighting (GS-3)
- Retail Production Cost Adjustment (PCA) credit
 - For 2024, phase out PCA credit for all classes except for Large Industrial Service (LIS)

Preliminary Recommendations for Other Changes to 2024 Retail Rate Schedules

- Revise rate schedules that are based on or pass-through the proposed 2024 wholesale rates and/or provisions
 1. Large Industrial Service (LIS)
 2. Interruptible Service Rider (INT-Rider)
 3. Market-Based Rate Rider (MKT-Rider)
 4. Interruptible Market-Based Rate Rider (IMB-Rider)
 5. Standby Service Rider (ST-Rider)
 6. Simultaneous Buy/Sell Service Rider (SI-Rider)
 7. Net Metering Service Rider (NM-Rider)
 8. Demand Response Resource Rider (DRR-Rider)
- General Customer Service Charges (CS Rate Schedule)
 - Change in rates for connect charges, collection fee, insufficient funds check fee, etc. (if warranted based on cost-of-service study)

Preliminary Recommendations for Other Changes to 2024 Retail Rate Schedules (cont'd)

- Pole Attachment Rate (PA Rate Schedule)
 - Change in rates for communication and electric facility attachments (if warranted based on cost-of-service study)
- Modify transmission line billing provisions for new customers on certain rate schedules
 - NPPD billed for transmission based on prior calendar-year loads by Southwest Power Pool (SPP)
 - In the LIS, INT-Rider, MKT-Rider, IMB-Rider, and ST-Rider Rate Schedules, new customers are not charged for this in their initial year of operation
 - If/when such customer ceases operation, SPP will still bill NPPD for associated service in the following year, with costs covered by remaining retail customers
 - Address this issue by billing new customers for transmission service immediately
- Add/clarify language and provisions as needed in other rate schedules

Schedule for Retail Rates

- July 13 - Retail cost-of-service study results and preliminary recommendations shared with Board
- July-September
 - On-going communication with customers
 - Complete detailed rate designs
 - Share results with and gather input from Retail Rate Review Committee and Retail Advisory Committee
- October 12 - Proposed retail rate designs complete and shared with Board
- November 9 - Board consideration of proposed retail rates
- January 1, 2024 - Proposed effective date



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Questions

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