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Projected 2024 NPPD Transmission Revenue Requirements and Resulting Rates under Southwest Power Pool (SPP) Open Access Tariff

NPPD Board of Directors
President's Report
November 9, 2023

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Objective

- Share revenue requirements included in the 2024 Annual Update of the SPP Formula Rate Template

Background

- Effective April 1, 2009, NPPD joined the Southwest Power Pool (SPP) as a transmission owner
 - Approved Formula Rate Template establishes NPPD's transmission revenue requirements and rates for SPP transmission service
 - NPPD populates the Template each year with forecasted/actual expenses and loads
 - Approved Formula Rate Implementation Protocols that establish the process and timelines for annual updates to the revenue requirements and rates and for the annual true-up adjustments between forecasted and actual costs
 - Both are contained in SPP's Tariff, and were approved by the Board and accepted by FERC

Applicability to NPPD Wholesale Customers

- The revenue requirements and rates calculated in the Formula 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
 - Examples of entities taking service directly from SPP include Municipal Energy Agency of Nebraska (MEAN), OPPD, Tri-State and previous NPPD wholesale customers who chose not to sign the 2016 Wholesale Power Contract

2024 Update to NPPD Rate Template (\$ in Millions)

| Revenue Requirement | Projected 2023 | Projected 2024 |
|---|-------------------|-------------------|
| 1. Zonal | \$ 43.2 | \$ 46.9 |
| 2. Base Plan Projects | 40.0 | 39.1 |
| 3. System Control | 9.0 | 10.8 |
| 4. Subtotal - Before PY True-up Adj. | \$ 92.2 | \$ 96.8 |
| 5. Prior Year True-up Adjustment (based on actual costs) | (2.8) | (7.4) |
| 6. Total | \$ 89.4 | \$ 89.4 |

- Zonal – Projected revenue requirements recovered from load in the NPPD Pricing Zone
- Base Plan Projects – Projected revenue requirements of qualifying NPPD projects recovered from zonal and regional load
- System Control – Projected revenue requirements associated with the real-time monitoring and control of NPPD’s transmission system
- Prior Year True-up Adjustment – Reconciliation between projected and actual costs from 2021 (in 2023) and 2022 (in 2024)

2022 True-Up Adjustment (\$ in Millions)

| Revenue Requirement (A) | Actual 2022 Revenues (B) | Actual 2022 Rev Reqts. (C) | True-Up Adj (B) - (C) (D) |
|--|-----------------------------------|-------------------------------------|---------------------------------|
| 1. Zonal | \$ 44.1 | \$ 43.9 | \$ 0.2 |
| 2. Base Plan Projects | 43.3 | 39.9 | 3.4 |
| 3. System Control | 9.8 | 6.6 | 3.2 |
| 4. Subtotal | \$ 97.2 | \$ 90.4 | \$ 6.8 |
| 5. Interest | | | 0.6 |
| 6. True-Up Adj (Annual incl. Interest) | | | \$ 7.4 * |

* Surplus primarily due to lower-than-expected operation & maintenance (O&M) expenses and higher-than-expected revenues received from SPP point-to-point transmission customers

Schedule

- By May 1 – Post Annual True-Up on SPP and NPPD websites
- By June 1 – Conduct Annual True-Up Meeting
- By August 1 – Post Annual Update on SPP and NPPD websites
- By August 31 – Conduct Annual Update Meeting
- November 9 – Board review of revenue requirements/rates of 2024 Annual Update
- December 14 – Board agenda item to establish 2024 revenue requirements/rates
- January 1, 2024 – Effective date of new revenue requirements/rates
- January 15 – FERC Informational Filing Due



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Questions

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