

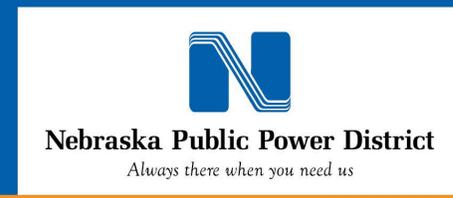


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Wholesale Economic Development Rate for 2024

NPPD Board of Directors Meeting
October 12, 2023

Todd Swartz - Director of Pricing, Rates, & Wholesale Billing



Objective

- Share proposed changes to the 2024 Economic Development Rate

Economic Development Rate (EDR) (Special Power Product No. 6 Rate Schedule)

- Rate schedule effective since May 1, 2012
- Available to wholesale customers for use with their qualifying end-use customers
 - Five (5) customers currently taking service on the rate
 - Seven (7) customers have signed EDR Agreements and are in the process of attempting to qualify for the rate
 - Closed to new customers since 2021 when NPPD forecasted that its surplus capacity was fully utilized
- Allows for a discounted production rate for up to 5 years
 - Flat, year-round energy rate replaces the GFPS production demand & energy rates
- Benefits to existing customers:
 - Provides additional margins and reduces risk and uncertainty of relying on market for sales
 - After 5-year incentive period is over, new customer pays same rate as existing customers

End-Use Customer Qualifications

1. New or expanded load of 1,000 kW or more
2. Monthly load factor of 60% or greater
3. End-use customer enters into written agreement with the State or any political subdivision to provide an economic development project pursuant to state or local law
4. Wholesale customer and end-use customer enter into a written service agreement with NPPD

Economic Development Rate Components

1. Monthly Customer Charge
 2. Production (discounted rate)
 - The Rate Schedule specifies the initial production energy rate
 - Flat, year-round cents/kWh rate (replaces the GFPS production demand and energy rates for this load)
 3. Transmission (no discount)
 - The full GFPS transmission line & substation, and ancillary service rates apply to the qualifying load
- Wholesale customer adds their subtransmission and distribution costs, if any, to these wholesale components to determine the total retail rate to the end-use customer

Determination of the Rate

- Requires “Initial Production Energy Rate” to be calculated every year, and effective on or about January 1st
 - Rate must be at least 110% of forecasted Incremental Production Cost (IPC)
 - NPPD’s IPC is the Southwest Power Pool (SPP) energy market price
 - Current rate is \$30.75/MWh
 - Rates have varied from \$24.00 to \$35.20/MWh since inception

2024 Rate Review

- Forecasted 2024-2029 incremental production costs have been determined using budget and rate outlook assumptions
- For 2024, NPPD's costs have increased slightly from last year due to forecasted higher SPP market prices
 - Minimum rate = 110% of IPC = \$31.69/MWh
 - Current rate of \$30.75/MWh is only 106.7% of forecasted IPC

Recommendation

- Increase the initial production energy rate from \$30.75 to \$31.69/MWh (i.e., 110% of IPC)
 - Per the Rate Schedule, rates for existing customers must be raised to this level
 - 3.1% increase in production portion of the bill for existing customers on this rate

Schedule

- October 12 – Proposed changes presented to Board
- October 19 – Discussion at wholesale Rate Review Committee meeting
- Late October – Issue proposed revised EDR Schedule to wholesale customers
 - Customers have 30 days to request a rate hearing
- December 14 - Board consideration of proposed rate
- January 1, 2024 – Proposed effective date



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Questions

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