



THE POWER OF PEOPLE



2026 - 2031 Rate Outlook & Budget Kickoff

Finance Committee
April 2025

Crystal Harper - Financial Planning & Analysis Manager



Nebraska Public Power District
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Objective of Today's Meeting



REVIEW THE
2026 - 2031 RATE
OUTLOOK & 2026
BUDGET
TIMELINE



REVIEW GOALS
FOR THE RATE
OUTLOOK
PROCESS



REVIEW KEY
COMPONENTS
OF THIS YEAR'S
2025 BUDGET
AND THEIR
RELATED
ASSUMPTIONS









SHARE THE NEXT
STEPS AND
DISCUSS
POTENTIAL
TOPICS FOR
UPCOMING
COMMITTEE
MEETINGS

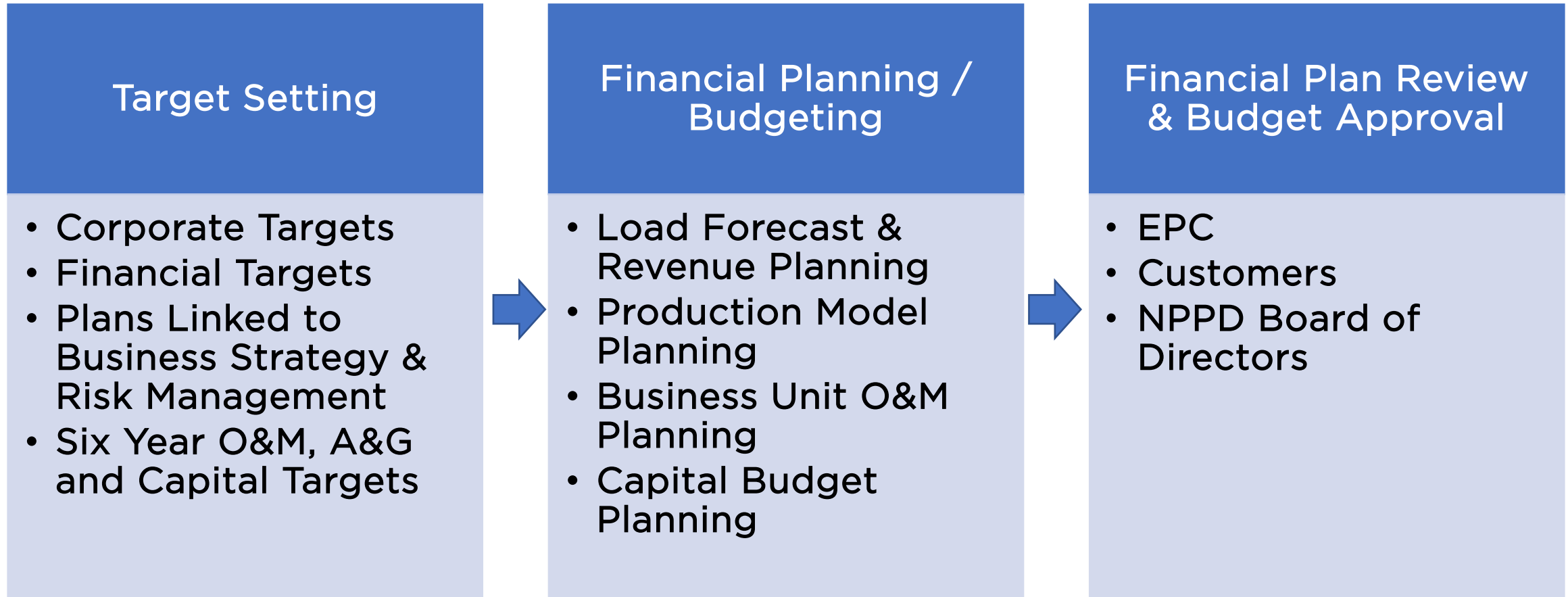
Key Dates for Board Review and Input

 **Board or Finance Committee Meeting**

 **Major Milestone**

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|--|-----|-----|-----|---|---|---|-----|--|-----|---|---|-----|
| 1. Finance Committee Reviews Financial Planning Timeline, Escalation Factors, and Key Assumptions. | | | |  | | | | | | | | |
| 2. Load Forecast and Production Model Assumptions Reviewed in Executive Session | | | | | | | | | | | | |
| 3. Finance Committee - Information & Input Session (As needed or requested) | | | | |  | | | | | | | |
| 4. Review Rate Outlook Results with Finance Committee | | | | | |  | | | | | | |
| 5. Proposed Wholesale Rate Study Issued | | | | | | | |  | | | | |
| 6. Review Preliminary 2026 Operations & Maintenance (O&M) and Capital Budgets at Board Retreat | | | | | | | | | |  | | |
| 7. Board action on 2026 O&M and Capital Budgets | | | | | | | | | | |  | |

Rate Outlook & Budget Preparation – Three Phases



Goals are Established for the Rate Outlook Process

Corporate Targets

- Wholesale: Cooperative Financing Corporation (CFC) Best Quartile Ranking
- Retail: Energy Information Administration (EIA) Best 15th Percentile Ranking

Financial Targets

- Debt Service Coverage – 2.0 times (or better)
- Days of Cash – Peer Group Best Quartile (2023 best quartile ~279 days)
- Debt Equity – Peer Group Best Quartile (2023 best quartile ~ 50%/50%)

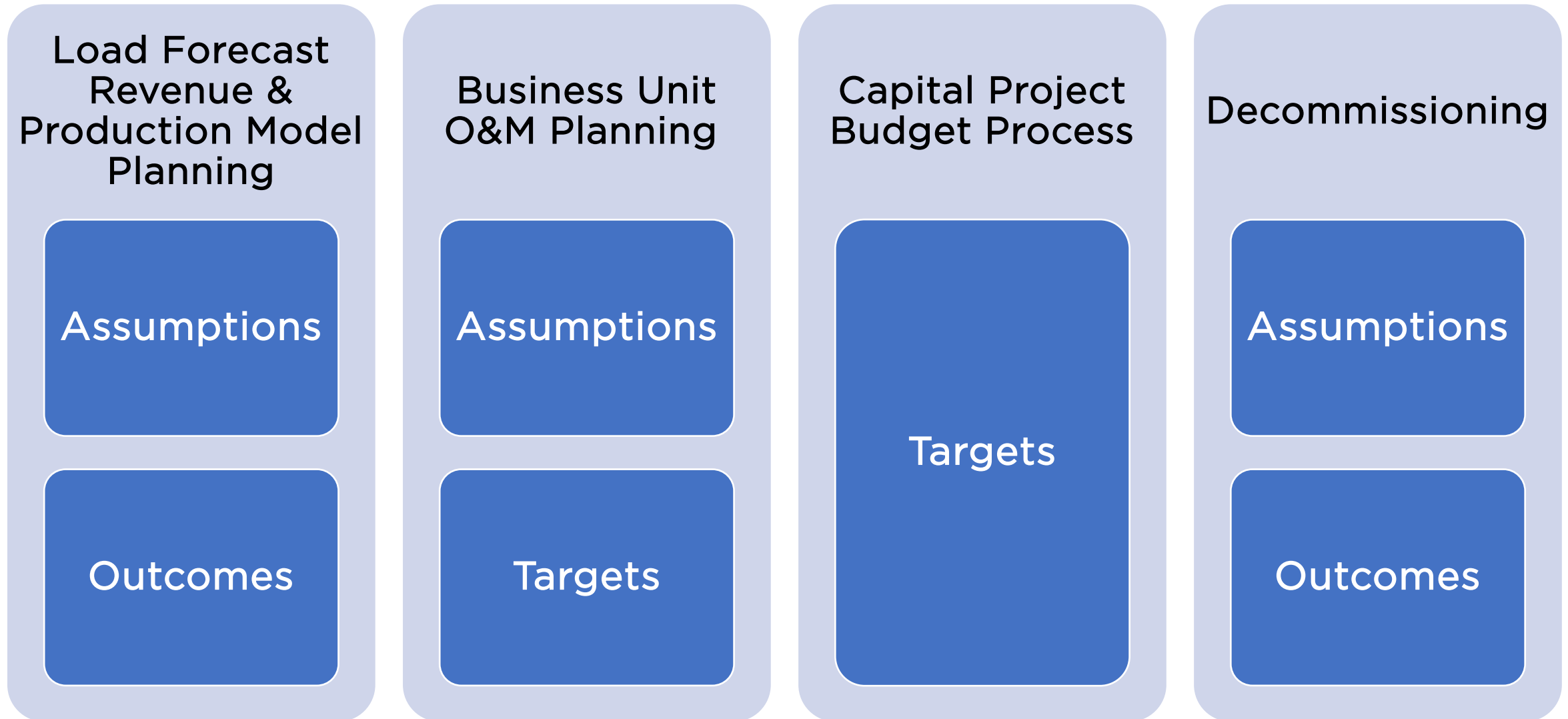
Plans Linked to and Support the Strategic Plan and Enterprise Risk Management

- Incorporate known new load, new generation, and other strategic directives, and gain consensus on wholesale rate positioning.

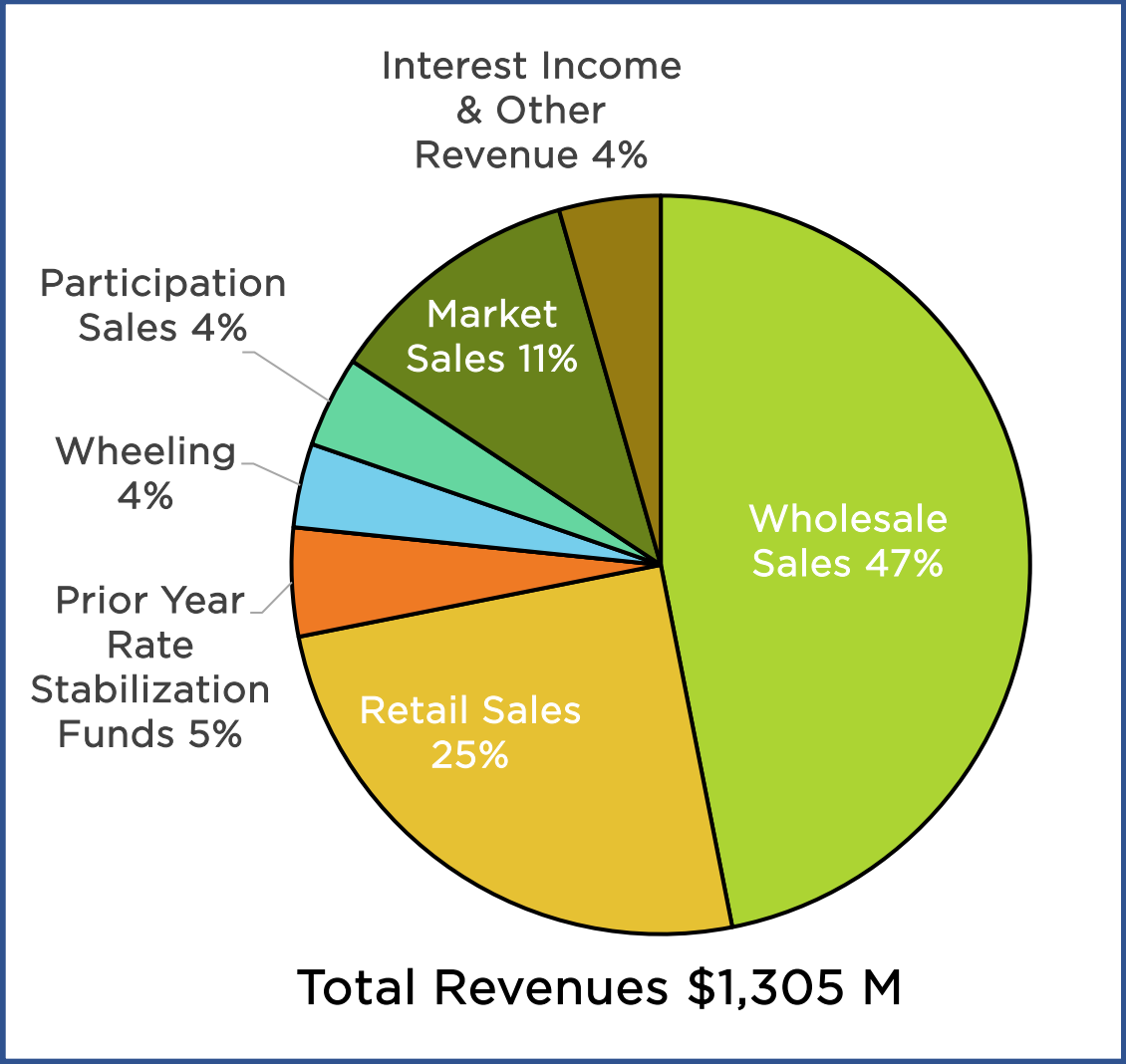
Operating Targets

- Capital
- O&M

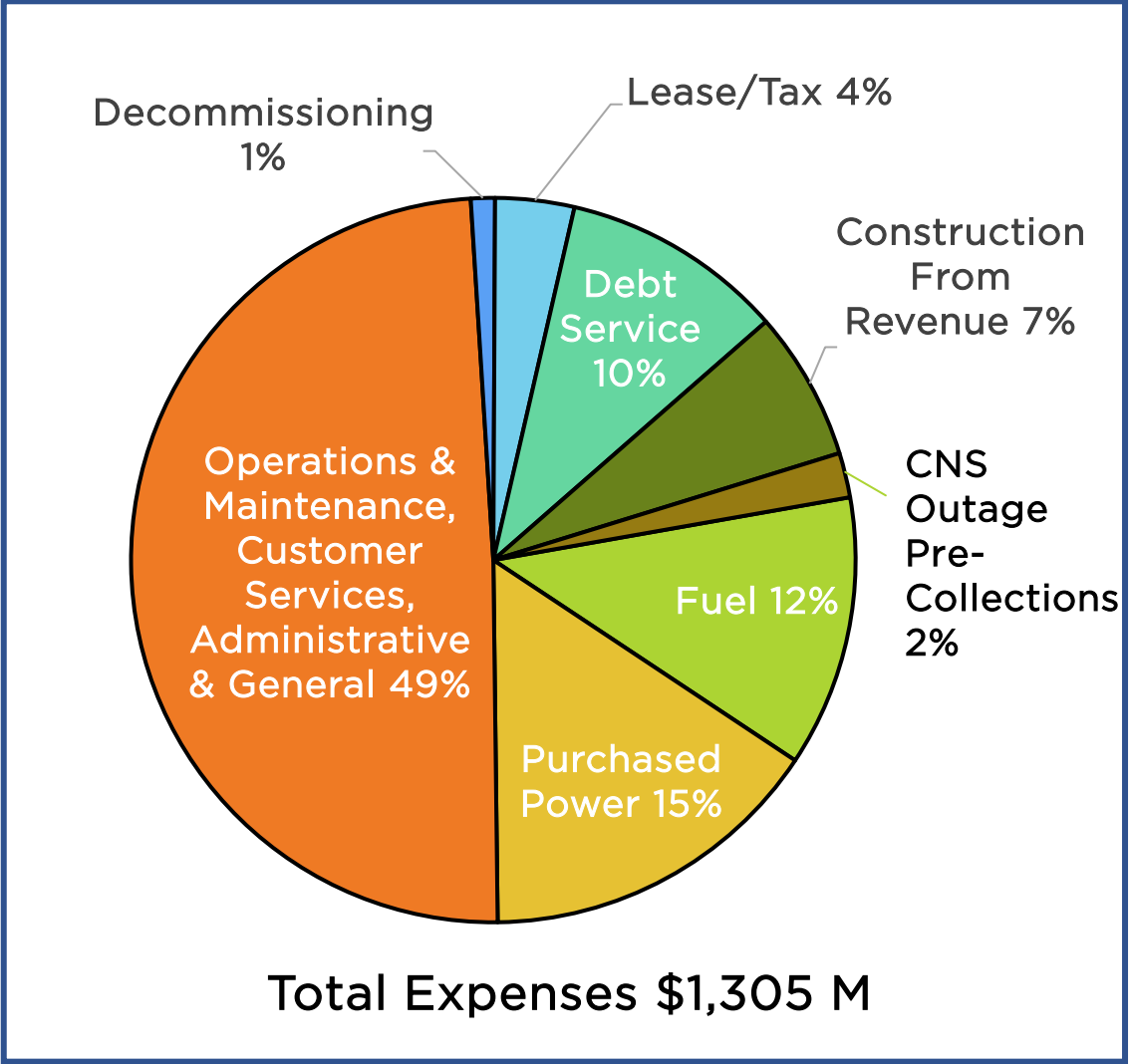
Summary of Rate Outlook Assumptions, Targets, and Outcomes that Will be Reviewed Today



Key Components of the 2025 Budget – Revenues & Expenses Balance



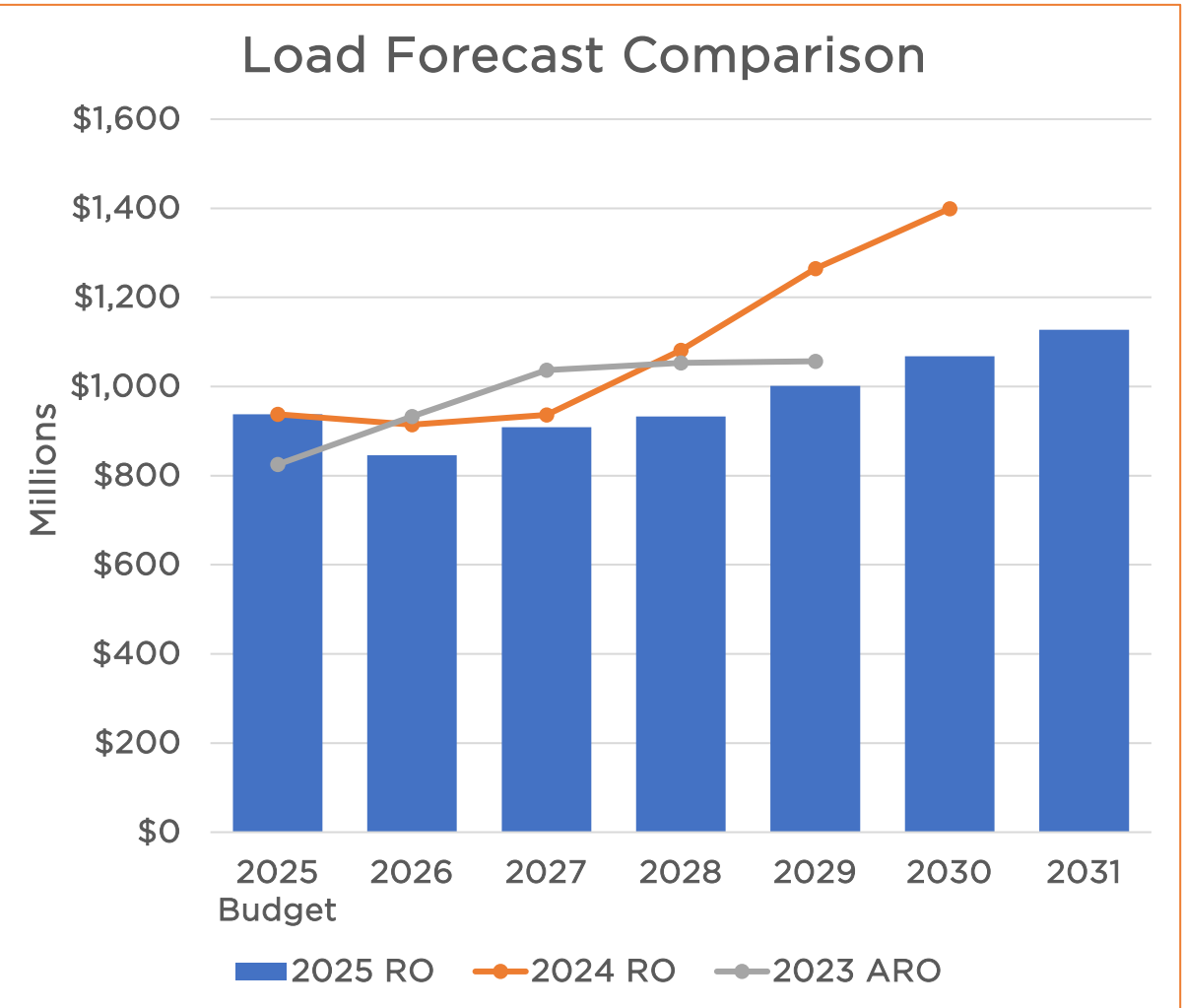
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| | | | | | | | |
|------------|--------------|----------------------|---------------------------|--------------------|--------------------------|-----------------|----------------------|
| Firm Sales | Market Sales | Other Misc. Revenues | Production Model Expenses | O&M / A&G Expenses | Capital Related Expenses | Decommissioning | Other Misc. Expenses |
|------------|--------------|----------------------|---------------------------|--------------------|--------------------------|-----------------|----------------------|

Native Load Revenue Forecast Down From the Prior Year

- Decreases in the 2028-2030 load forecast in the 2025 RO (compared to 2024 RO) are attributed to two main factors:
 - The implementation of a new prospective load forecasting methodology and
 - Load adjustments reflecting uncertainties in:
 - Customer project timelines
 - Estimated probability of new loads materializing in industries influenced by the evolving federal policies and funding priorities



RO = Rate Outlook

ARO = Abbreviated Rate Outlook

Notable Changes in Production Model Resource Assumptions

- The Production Model is a software tool that simulates Southwest Power Pool (SPP) operations.
- It projects when NPPD's generating units will dispatch and the associated fuel expense to serve SPP market loads
- The model also generates the amount of market sales and purchases based on unit dispatch.
- The Load Forecast, SPP market prices, and fuel price assumptions are some of the inputs into the production model.

2025 RO

AWEF BESS -
Paused

PRS - Inservice
June 2029

3 BPS CTs -
Inservice dates
2031, 2032, & 2033

Various Purchased
Power Agreements

2024 RO

AWEF BESS -
Inservice June 2026

PRS - Inservice
June 2027

3 BPS CTs -
Inservice June 2029

Various Purchased
Power Agreements

AWEF BESS - Ainsworth Wind Energy Facility Battery Energy Storage System
PRS - Princeton Road Station RO - Rate Outlook

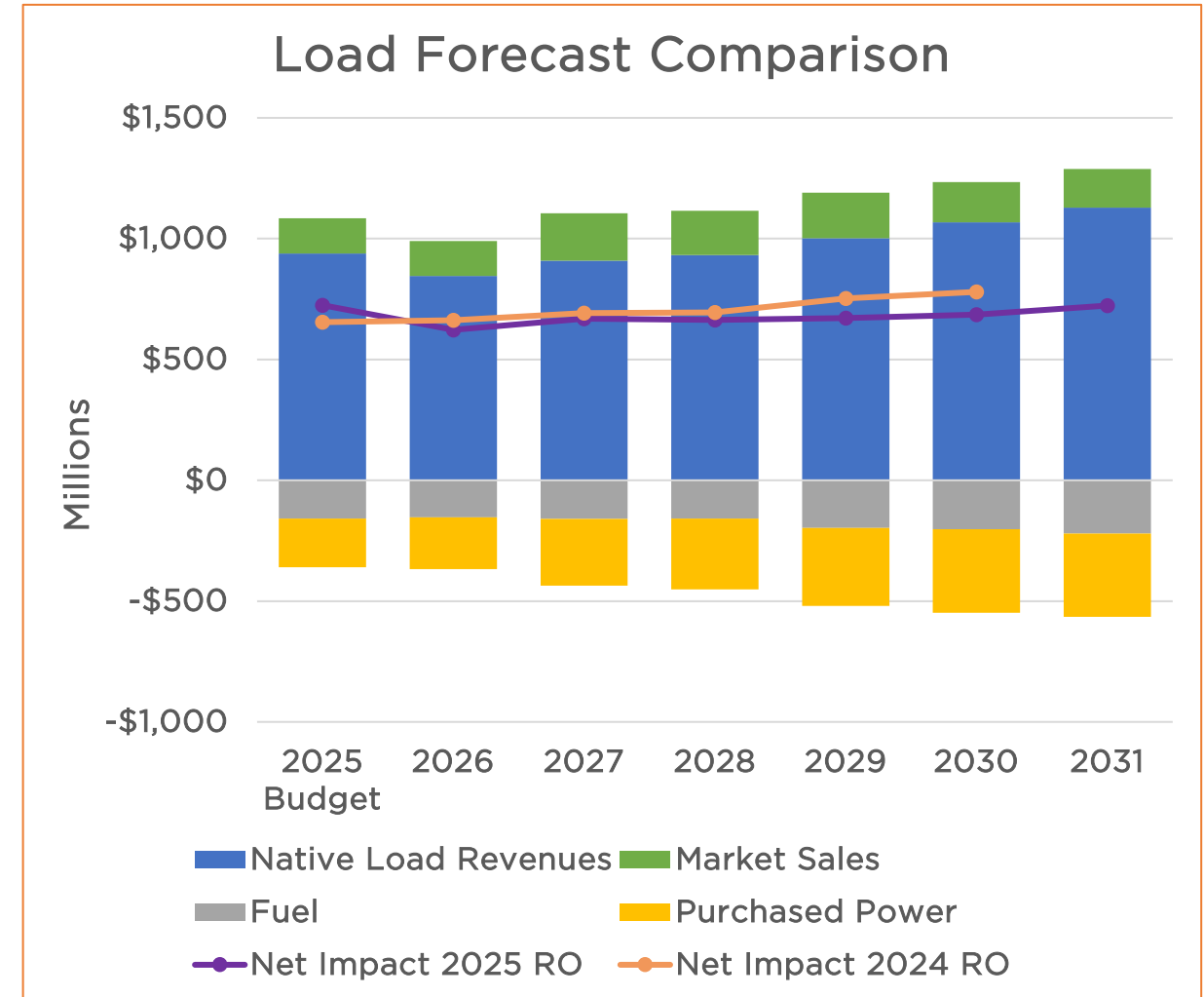
BPS - Beatrice Power Station

CT - Combustion Turbine

A Decrease in Native Load Revenues is Partially Offset by Changes to Production Model Revenues & Expenses

- When compared to the prior year, the reduction in native load revenues is partially offset by:
 - Increases in SPP market sales due to a greater surplus of energy due to less native load.
 - Decreases in fuel expense due to:
 - Change in resource timelines
 - Coal demand
 - Fluctuations in natural gas forward curves
 - Decreases in purchased power expenses as fewer SPP market purchases are needed to serve the new load forecast

RO = Rate Outlook



No Changes to O&M and A&G Cost Escalation Factors for 2025 Rate Outlook

| | 2025 Budget | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|-------------|------|------|------|------|------|------|
| Salaries & Other Outside Labor | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |
| Health Insurance | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% |
| Escalation rates are based on labor indices received from NPPD’s Human Resources department | | | | | | | |

| | 2025 Budget | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|-------------|------|------|------|------|------|------|
| Materials, Supplies & Other Misc. Expenses | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Escalation rates are based on the Consumer Price Index (CPI) projections based on the most recent information reflected in the Survey of Economic Forecasters | | | | | | | |

O&M = Operations & Maintenance A&G = Administrative & General

| | | | | | | | |
|------------|--------------|----------------------|---------------------------|--------------------|--------------------------|-----------------|----------------------|
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|------------|--------------|----------------------|---------------------------|--------------------|--------------------------|-----------------|----------------------|

Business Units Asked to Maintain their O&M and A&G Expenses for Rate Outlook Planning

| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Other Consideration |
|--------------|---|------|------|------|------|------|--|
| Production | <u>Maintain</u> O&M and A&G Costs from last year's Rate Outlook | | | | | | Allowing for changes related to the new generation |
| Transmission | | | | | | | |
| Distribution | | | | | | | |
| A&G Groups | | | | | | | |

Wholesale Capital Targets Similar to Prior Year

- Wholesale Capital Targets are set based on the ratio of capital to depreciation of NPPD and other A-Rated Utilities
- Analysis also utilizes the CFC Metric to monitor total spending (capital & O&M) and maintain alignment with the benchmark.
- These capital targets exclude large capital investments, such as new generation, as well as Notice to Construct Transmission Projects

RO = Rate Outlook



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Slight Increase in Nuclear Decommissioning Trust Collections

- On a regular basis, a study is performed by a third party to determine updated costs for decommissioning CNS
 - 2023 Study performed by TLG Services
 - DECON Methodology (assumes decommissioning starts immediately after plant shutdown) remains the lowest total cost option.
- NPPD performs a cash flow analysis of Nuclear Decommissioning Trusts (NDTs) using the TLG estimate with the following assumptions:

| | Assumptions | Study Used | Investment Earnings Rate | Cost Inflation Rate | Plant Runs Through | Funded By |
|---------|-------------|------------|--------------------------|---------------------|--------------------|-----------|
| Nuclear | Last Year | 2023 | 3% | 2% | 2054 | 2035 |
| | This Year | 2023 | 3% | 2% | 2054 | 2035 |

- This current analysis estimates collections for the CNS NDTs to be \$3.8M for 2026-2035, up from \$2.7M in 2025.

| | | | | | | | |
|------------|--------------|----------------------|---------------------------|--------------------|--------------------------|-----------------|----------------------|
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|------------|--------------|----------------------|---------------------------|--------------------|--------------------------|-----------------|----------------------|

No Change to Non-Nuclear Decommissioning Assumptions

- On a regular basis, a study is performed by a third party to determine updated costs for decommissioning non-nuclear generating facilities
 - 2021 decommissioning study was performed by Burns & McDonald (B&M)
- NPPD performs a cash flow analysis of the non-nuclear fund using B&M estimate with the following assumptions:

| | Assumptions | Study Used | Investment Earnings Rate | Cost Inflation Rate | Funded By |
|--|-----------------------|------------|--------------------------|---------------------|-----------|
| Gerald Gentleman Station Sheldon Station Beatrice Power Station Canaday | Last Year / This Year | 2021 | 3.0% | 2% | 2035 |
| Ainsworth Wind Energy Facility | Last Year / This Year | 2021 | 3.0% | 2% | 2025 |

- This analysis estimates collections for the non-nuclear decommissioning fund to be \$9.2M for 2026, down from \$11.5M in 2025.

Rate Outlook Planning - Next Steps (Board and Customers)

- ✓ **April 2025 – Rate Outlook Kickoff at Finance Committee**
- **May 2025 - Information & Input Session with Finance Committee (As needed or requested)**
- **June 2025 - Review Rate Outlook Results with Finance Committee and at Customer Meeting**



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Questions

Stay connected with us.



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