

# Monitoring Report SD-2: Rates Finance Committee June 13, 2023

Jeff Bishop, Vice President – Financial Services & CFO

# SD-2: Rates

## Strategic Directive

On December 2022, the Board of Directors approved a revised version of SD-2. In implementing this directive, OPPD shall:

- Maintain fair, reasonable, and non-discriminatory rates as stated in Nebraska Revised Statute 70-655;
- Equitably assign costs across and within all customer classes;
- Monitor affordability indicators;
- Pursue rate process and structure changes to reflect the cost of energy when it is used;
- Offer flexibility and options;
- Be simple and easy to understand; and
- Pursue a directional rate target of 10% below average published rates of seven states in the North Central Region on a system average basis.

# SD-2: Rates

## Directional Rate Target

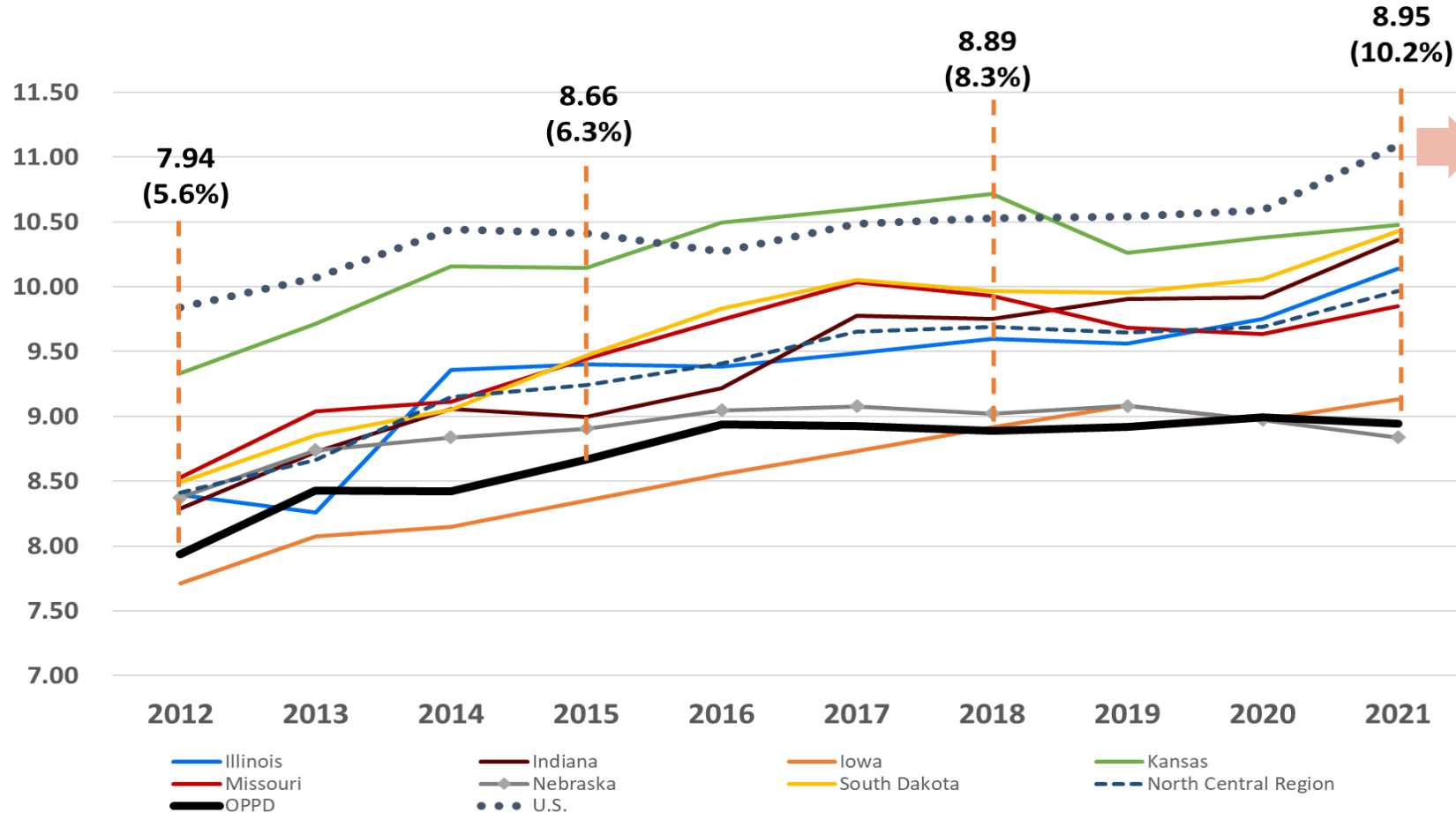
- **Comparison against the North Central Region:**
  - *North Central Region, as defined by OPPD, is the region made up of the following seven states: Illinois, Iowa, Indiana, Kansas, Missouri, Nebraska and South Dakota.*
  - *Comparison is done on a System Average Basis: Total revenue billed to retail customers divided by total kWh sold to retail customers. The result is measured in cents per kWh.*
  - *OPPD will continue to use data from the Energy Information Administration's (EIA)*
- **Directional goal of 10% below the North Central Region average rates**
  - *The no general rate increase from 2017 – 2021 was an important step in keeping our rates below regional average.*
  - *This presentation includes metrics from 2021. While the no general rate increase language was removed from SD-2, the metrics in the presentation are within the time period of the no general rate increase.*

# SD-2: Rates

## Directional Rate Target

### North Central Region\* Average Rates All Rate Classes (¢/kWh)

Data from EIA- Electric Sales, Revenue, and Average Price



OPPD 19.4% below national average

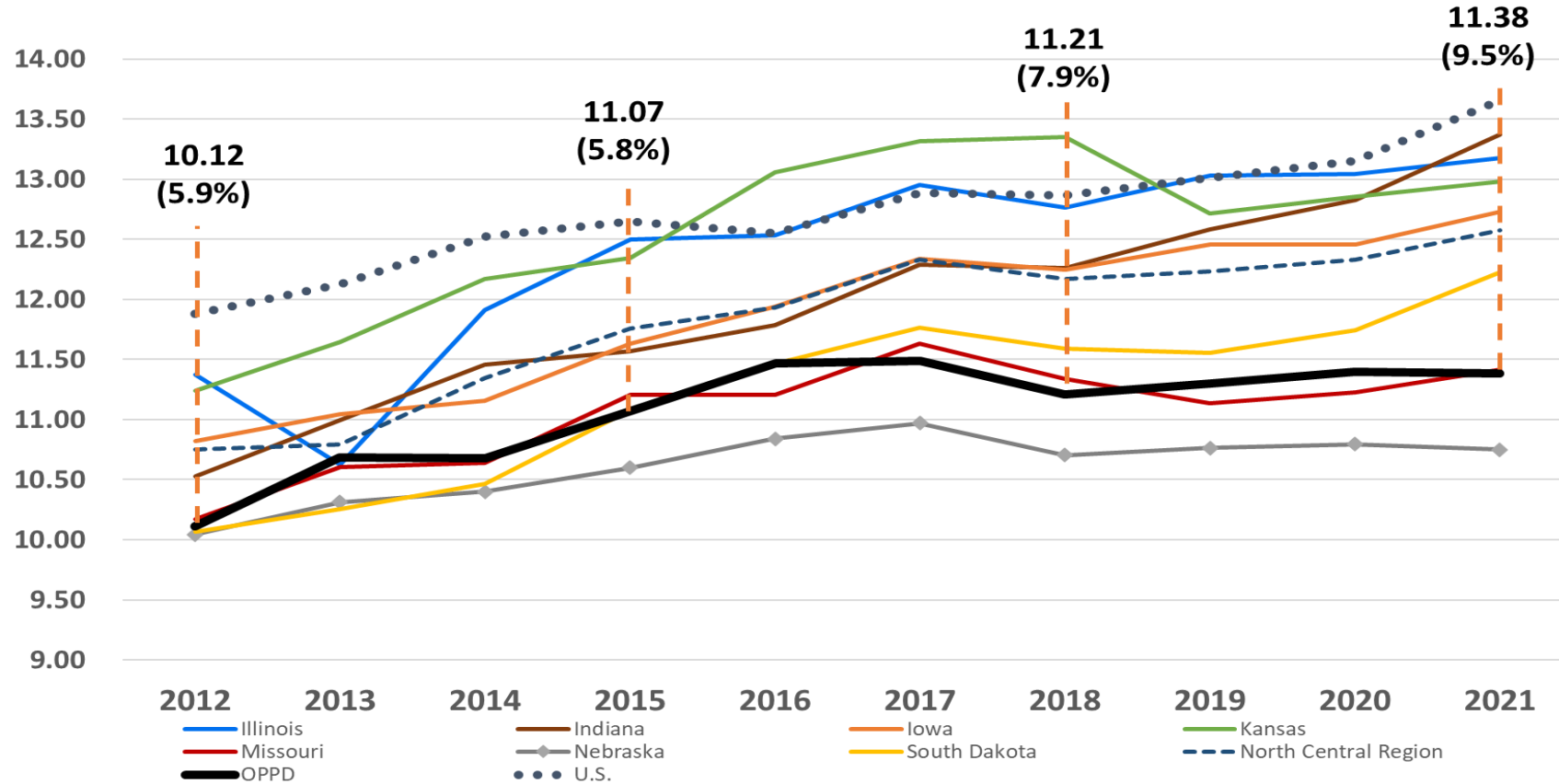
\* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

# SD-2: Rates

## Directional Rate Target

### North Central Region\* Average Residential Rates (¢/kWh)

Data from EIA- Electric Sales, Revenue, and Average Price



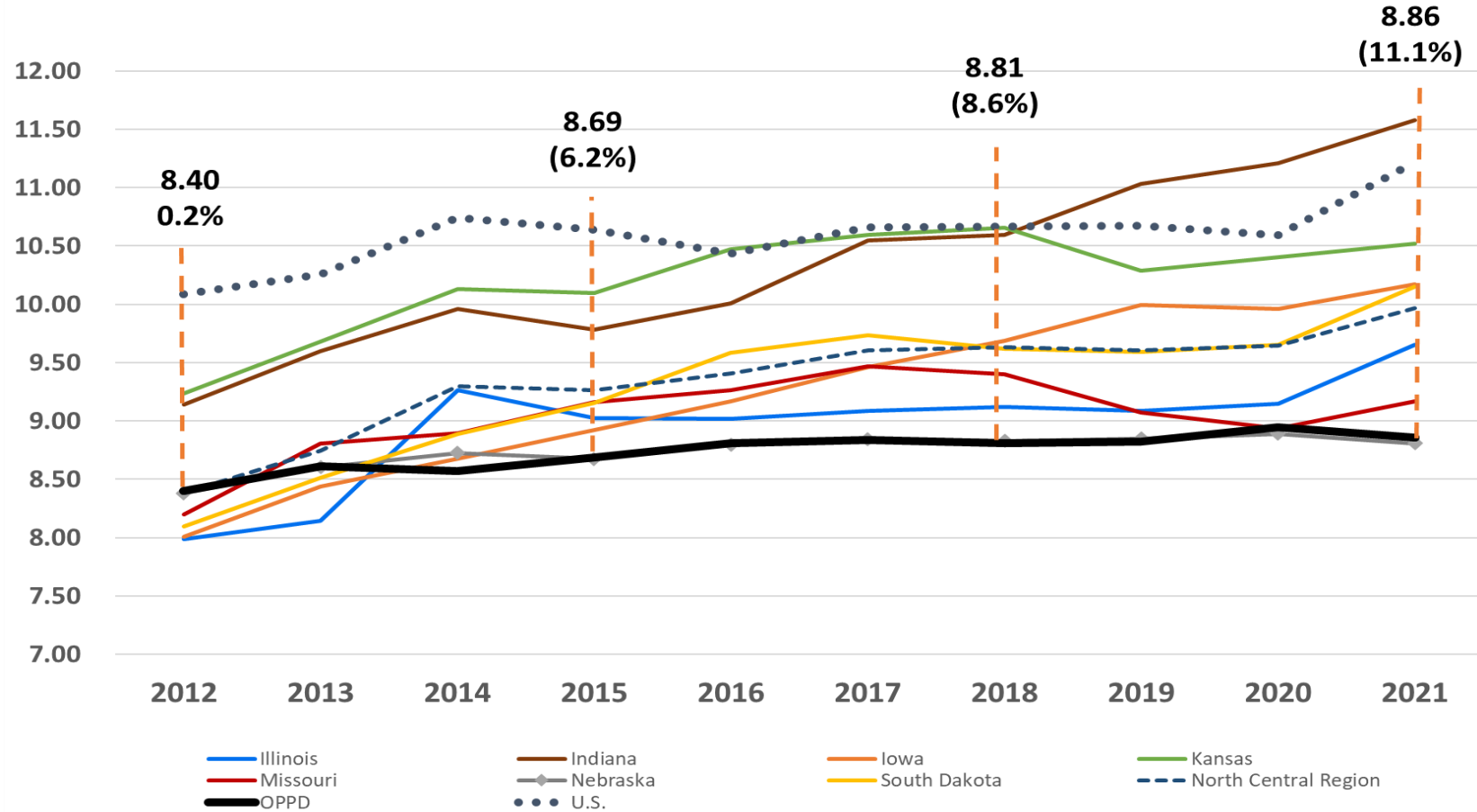
\* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

# SD-2: Rates

## Directional Rate Target

### North Central Region\* Average Commercial Rates (¢/kWh)

Data from EIA- Electric Sales, Revenue, and Average Price



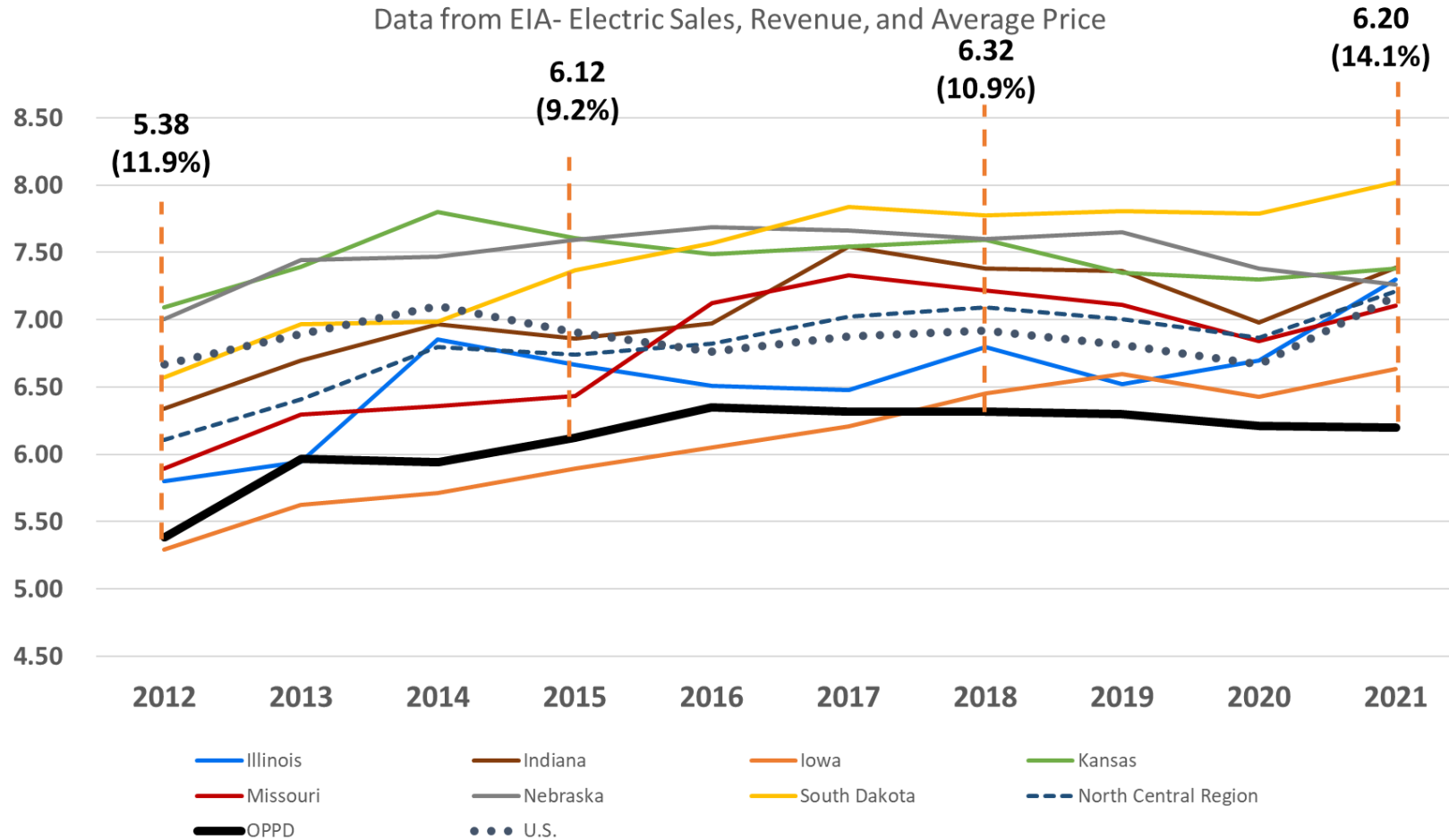
\* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

# SD-2: Rates

## Directional Rate Target

### North Central Region\* Average Industrial Rates (¢/kWh)

Data from EIA- Electric Sales, Revenue, and Average Price



\* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

# SD-2: Rates

## Fair, Reasonable, and Non-Discriminatory

- **Maintain fair, reasonable and non-discriminatory rates as stated in Nebraska Revised Statute 70-655**
  - *An industry standard Cost of Service Study (COSS) is completed to align rates with cost drivers.*
    - *Continually evaluating allocations based on changes within the organization and industry.*
    - *Costs are allocated across classes according to their unique energy usage characteristics.*
  - *The rate setting process is reviewed by an outside consultant (The Brattle Group).*
- **In 2022, OPPD started the Rate Design Project.**
  - *Phase 1 of this engagement and outreach process aims to:*
    - *Align rate principles with the input that was received from customers and the board*
    - *Develop a high-level roadmap for rate design*
  - *Through 3 board workshops held, the Board of Directors had the opportunity to discuss and review OPPD's rate principles.*



# SD-2: Rates

## Cost Assignment Across and Within Classes

- **Equitably assign costs across and within all customer classes.**
  - *Equitable assignment of costs within rate classes is dependent on rate structure, metering technology, and customer homogeneity.*

	Industrial	Commercial	Residential
Customer Costs*	●	●	●
Energy Costs	●	●	●
Demand Costs*	●	Partial	Partial

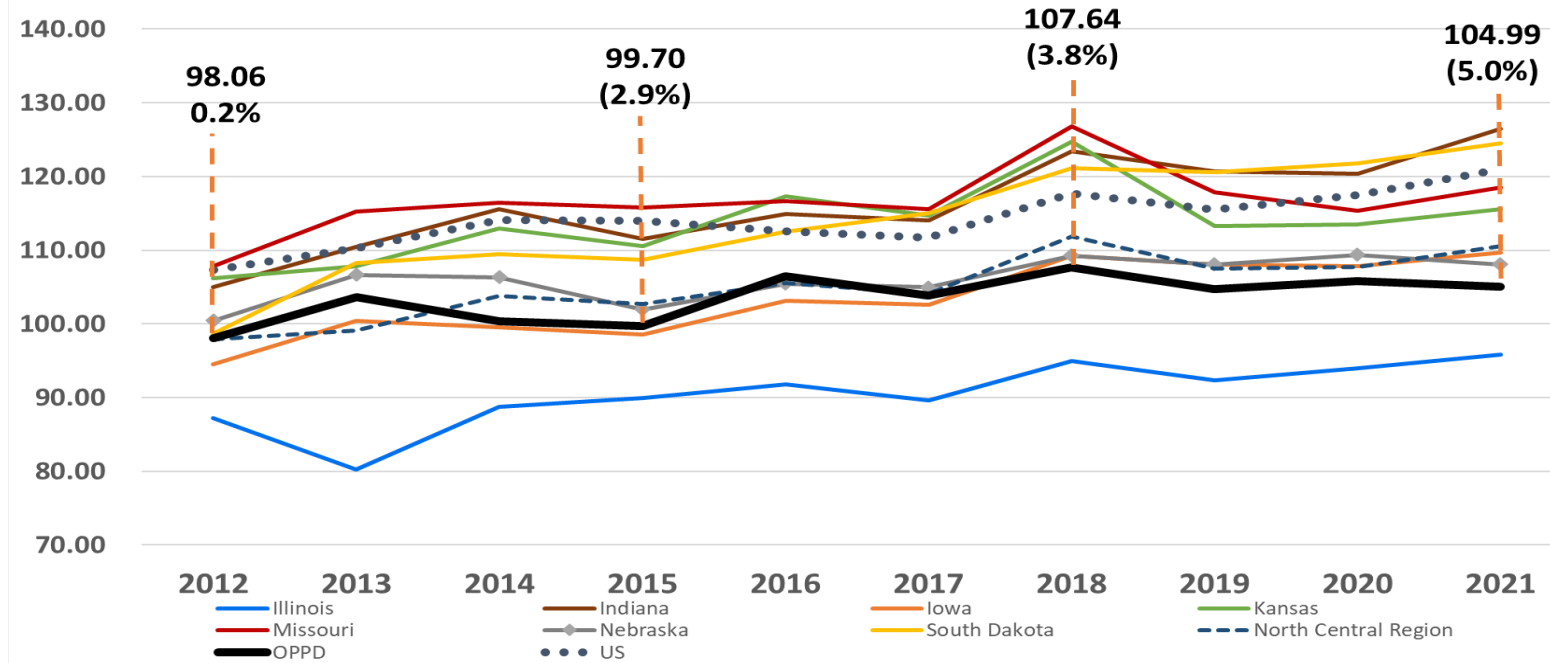
*\*Service charge recovers a portion of the customer and distribution related costs for small commercial and residential rate classes*

# SD-2: Rates

## Monitor Affordability Indicators

### North Central Region\* Average Residential Bill (\$/Month)

Data from EIA- Electric Sales, Revenue, and Average Price



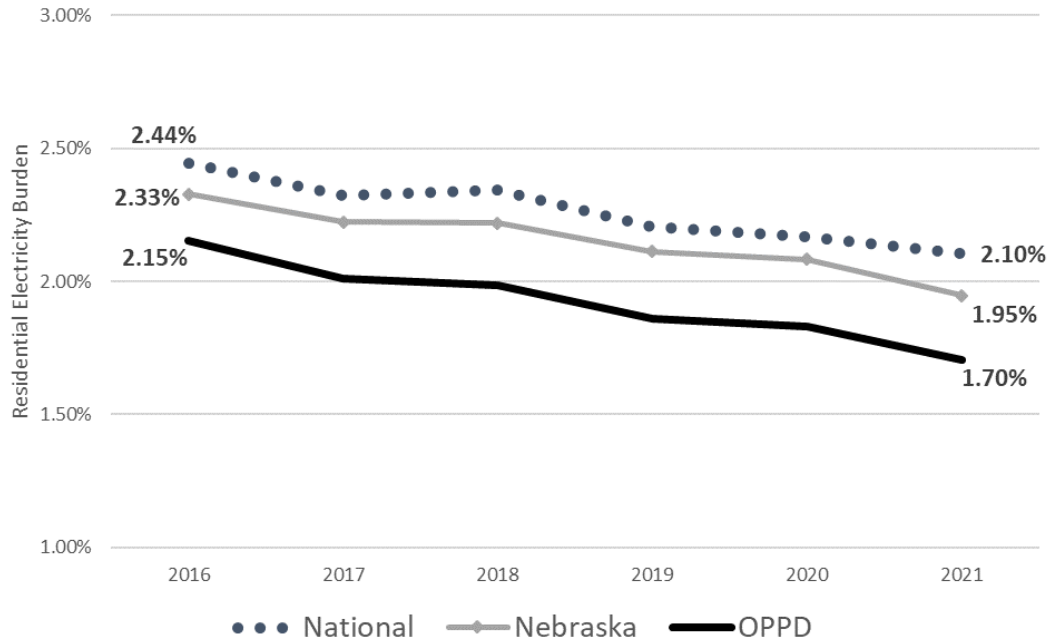
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OPPD	\$98.06	\$103.60	\$100.37	\$99.70	\$106.43	\$103.82	\$107.64	\$104.77	\$105.82	\$104.99
Compared to Region	0.2%	4.5%	-3.3%	-2.9%	0.9%	-0.3%	-3.8%	-2.6%	-1.8%	-5.0%
Compared to U.S.	-8.6%	-6.1%	-12.0%	-12.6%	-5.5%	-7.0%	-8.5%	-9.3%	-9.9%	-13.2%

\* OPPD-defined region composed of: Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, and South Dakota

# SD-2: Rates

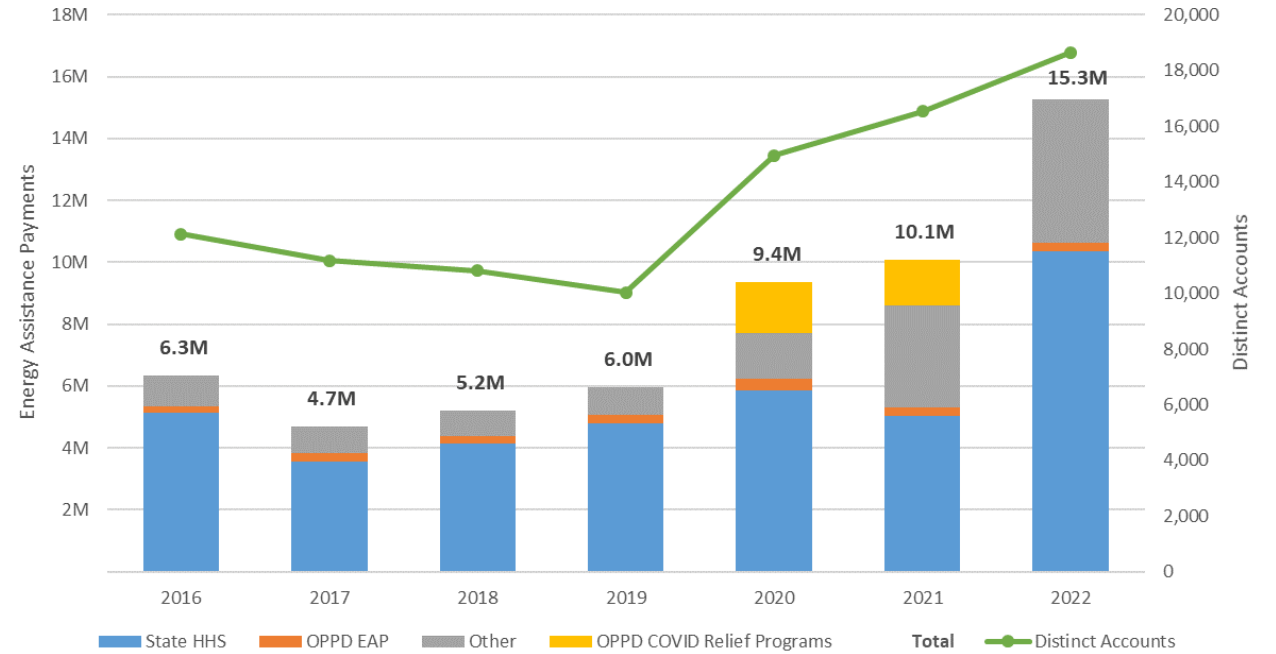
## Monitor Affordability Indicators

### Residential Electricity Burden



Median Household Income Data from US Census, ACS-5Y,  
Electricity Data from EIA Annual Electric Utility Data

### Energy Assistance Payments



- 156% percent increase in annual assistance funding since 2019
- 67% increase in amount of customers receiving assistance
- Increase has mitigated the impact of the pandemic on affordability

# SD-2: Rates

## Cost of Energy When Used

- Pursue rate process and structure changes to reflect the cost of energy when it is used:
  - Residential and Small Commercial Rates include a seasonal energy charge: Summer being June through September and Non-Summer being October through May.
  - Currently, time of use rates are available through Rider Schedule No. 469 - General Service- Time of Use.
  - Fuel and Purchase Power is calculated based on seasonal energy prices reflecting the cost of the energy when it is expected to be used.
  - In 261M rate (Large Power – High-voltage Transmission Level – Market Energy) energy is priced hourly at the SPP market price.
  - OPPD will continue to evaluate more advanced rate structures as AMI and other technologies are monitored and implemented.

# SD-2: Rates

## Flexibility and Options

- Offer flexibility and options

- *The following options exist to increase flexibility and options for interested and eligible customers.*
- *OPPD is continuously working toward future rate, product, and service offerings to meet the needs of customers.*

Residential	General Service	
Heat Pump	261M	Standby Service*
Private Outdoor Lighting	Street Lights	Curtable*
Cogeneration and Small Power*	Cogeneration and Small Power*	Time of Use*
Surge Guard*	Surge Guard*	Green Sponsorship*
Net Metering*	Net Metering*	Supplemental Capacity*
Community Solar*	Community Solar*	Primary Service Discount*

\* Denotes Rider

# SD-2: Rates

## Simple and Easy to Understand

- **Be simple and easy to understand**

- *In 2022, board workshops were held as part of the Rate Design Project that provided the board and the public additional education on the following topics:*

- *Rate Setting Principles*
- *Cost of Service Analysis*
- *Rate Design*

*This information is available through OPPD Community Connect.*

- *In 2022, Corporate Communications used broad communication channels such as Outlets, The Wire, social media and oppd.com to educate customers about the change to the FPPA. Topics included:*

- *General bill components*
- *What is the FPPA line item?*
- *Bill impact of FPPA change*

- *The Residential Rates and Business Rates web pages at oppd.com were updated to reflect recent changes and to expand on education related to costs and bill components.*

# Recommendation

- The Finance Committee has reviewed and accepted this Monitoring Report for SD-2 and recommends that the Board find OPPD to be sufficiently in compliance with Board Policy SD-2.

**Any additional reflections on  
what has been accomplished  
... or  
challenges or gaps**

