

# **Contracting for Bulk Electric Power in Nebraska**

New Opportunities and  
Due Diligence to  
Evaluate Them



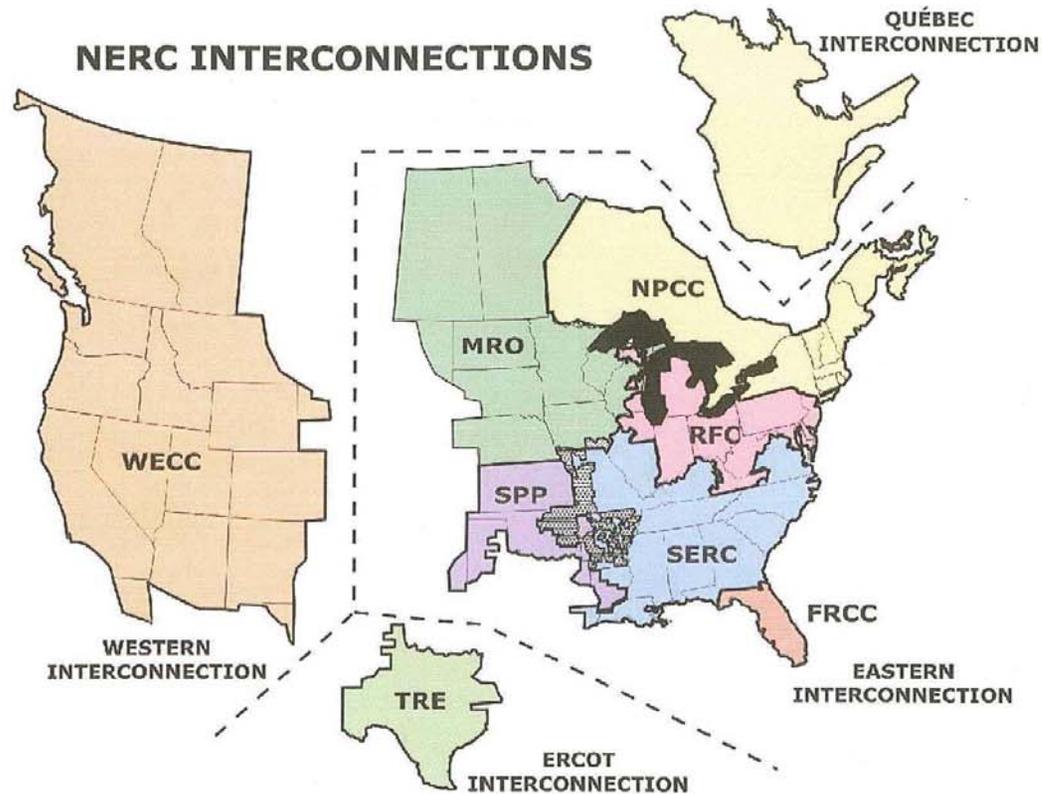
# Changes in the Electric Power Industry

- Southwest Power Pool
- Federal Air Quality Requirements
- Nebraska Public Power District Wholesale Customer Contracts
- Wind Generation

# Southwest Power Pool

- Regional Transmission Organizations
- Nebraska has recently joined this RTO

## 3 Electric Interconnections / 8 NERC Regions



# SPP Opportunities

- Nebraska transmission lines join a regional network with regional management and pricing
- Day 2 Pricing
- Power Plants will bid their excess generation into the SPP market each day
- Utilities with transmission rights can buy power by the day or contract for 5 years

# How Power is Purchased

- Wholesale Power Bill
  - Demand Charge for Fixed Generation Costs
  - Energy Charge for Variable Generation Costs
  - Transmission Line Costs

Season: Winter (Oct-May)

Rate Schedule: GFPS

**Demand Charges**

Gen. Station Production Services	7,554 KW	X	\$	12.07	= \$	91,176.78
<b><u>Ancillary Service Charges</u></b>						
Gen. Station Reg & Frequency	12,795 KW	X	\$	.27	= \$	3,454.65
Gen. Station Spinning Reserve	12,795 KW	X	\$	.14	= \$	1,791.30
Gen. Station Supplemental Reserve	12,795 KW	X	\$	.02	= \$	255.90
Gen. Station Reactive Supply	12,795 KW	X	\$	.08	= \$	1,023.60
Transmission Line	12,795 KW	X	\$	2.20	= \$	28,149.00
Transmission Substation	12,795 KW	X	\$	.39	= \$	4,990.05
<b>Total Demand Charges</b>					= \$	<b>130,841.28</b>

**Energy Charges**

Gen. Station On-Peak	2,442,677 KWH	X	\$	0.030130	= \$	73,597.86
Gen. Station Off-Peak	2,336,813 KWH	X	\$	0.020500	= \$	47,904.67
<b>Total Energy Charges</b>					= \$	<b>121,502.53</b>
<b>Total GFPS Wholesale Power Charges</b>					= \$	<b>252,343.81</b>

**Total Amount Due = \$ 252,343.81**

**Other Charges and Credits**

Energy Efficiency Credit					= \$	(31.50)
					= \$	(31.50)
<b>Total Net Amount Due</b>					= \$	<b>252,312.31</b>

# Cost of Production vs Market Rates

- NPPD will produce power for its contract wholesale customers, retail customers and Nucor Steel
- It will sell the excess generation into the market if the price is right
- Non-contract customers can buy NPPD power at market rates

# Cost of Production vs Market Rates (cont.)

- Current Market Rates are lower than NPPD contract rates
- The current market is rich in capacity
- NPPD indicates it plans to expand current nuclear and wind capacity

## Cost of Production vs Market Rates (cont.)

- NPPD need to will issue around \$1.5 billion in bonds for air quality upgrades and nuclear expansion
- If market rates remain low over time and NPPD can't bid excess power into the market, NPPD retail customers and wholesale contract holders will make up the loss each year through higher rates

# How Power Purchases are Measured

- Fixed Production Costs
  - Each city's peak demand (highest rate of use) is measured each month at time when our city system peaks during daytime billable hours
  - 55% of NPPD fixed production costs are billed to customers through demand charges

# How Power Purchases are Measured

- Variable Energy Costs
  - Simply measured by volume in Kwh like gallons of water through the meter

# How Power Purchases are Measured

- Transmission Line Charges

# How Power Purchases are Measured

- Socialization of Costs-rate buckets
- NPPD Demand Waiver Program
- Night time electric irrigation load has become an outlier customer over time
  - Off-peak peaking
  - Transmission line charges

# Wind Generation

- Large capacity investment
- Variable operation
- Iowa has a lot with more on the way
- More NPPD wind on the way
- Transmission line priority over other generation
- Other generation will shut down when wind blows
- Wind-following generation required



## Due Diligence

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\$120,000 million 25 year  
wholesale power  
contract for Wayne

# Due Diligence

- Wayne has 9 years left on our “total requirements” contract with NPPD
- NPPD wants us to replace this contract with a new 25 contract by December 31, 2013

# Due Diligence

- The new market opportunities will take about another two years to develop

# Due Diligence

- We act on behalf of our electric customers
- “If competition for future supply from competing suppliers is available at any level, should the board preclude a customer’s ability to select a supplier themselves..?”  
local rural power district manager
- Should we preclude all future city councils from future market purchase decisions for 25 years with no due diligence?

# Contacts for Options

- Municipal Energy Interests Group
  - Chris Anderson, Central City
    - (308) 940-1462
  - Lowell Johnson, City of Wayne
    - (402) 375-2733
    - [cityadmin@cityofwayne.org](mailto:cityadmin@cityofwayne.org)
  - Lash Chaffin, League Office
    - (402) 476- 2829

# Contacts for Options

- NMPP Energy
  - Has transmission line rights, can negotiate with SPP for more
  - Andrew Ross
  - [aross@nmppenergy.org](mailto:aross@nmppenergy.org)
  - (402) 474-4759

# Contacts for Options

- American Energy Partners
  - Private utility negotiating for Transmission Line Rights
  - Vincent Findley
    - [vfindley@aep.com](mailto:vfindley@aep.com)
    - (614) 583-6406