



Nebraska Public Power District

Always there when you need us

» News

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For Immediate Release

NPPD Board approves retail and wholesale production cost adjustments

Columbus, Neb. – Nebraska Public Power District's Board of Directors Friday approved wholesale and retail Production Cost Adjustment factors that will recover a portion of the estimated \$34 million in replacement energy costs incurred by NPPD and its customers as a result of the December 2006 ice storm. This amount, which does not qualify for any federal disaster payments, is \$6 million less than NPPD's original cost estimate of \$40 million.

NPPD is using \$22 million of existing District funds in a Rate Stabilization Account to partially off-set the \$34 million in increased energy costs. The remaining balance of \$12 million is the amount that will be recovered over a 12-month period through the wholesale Production Cost Adjustment charge. This equates to an average rate increase to NPPD's wholesale customers of 2.6 percent starting with April's energy usage.

Rates for NPPD's retail customers are largely driven by changes in wholesale rates. NPPD's Board today also approved implementation of a retail PCA charge. NPPD's retail PCA will take effect May 1, 2007, and will also be recovered over a 12-month period. Individual customer increases will vary depending on usage characteristics; however, a typical residential electric bill will increase approximately \$1.00 per month.

"NPPD has been working since the storm with hired contractors, utility partners and others to complete multiple transmission reconstruction projects in parallel, and we have been fortunate to better this schedule on all accounts," said NPPD President & CEO Ron Asche.

The storm knocked out-of-service for an extended period key transmission lines used to transport energy west to east across Nebraska. This resulted in reduced generation output from Gerald Gentleman Station, NPPD's lowest cost resource, and prompted NPPD to buy or generate power from more expensive resources to meet customers' energy needs. To date, service has been restored to 34 of the 37 transmission line segments lost at the height of the storm.

"Expediting the reconstruction enabled GGS to return to nearly full load capability much sooner than originally anticipated," explained Asche. "This allowed us to reduce the initial cost estimate of \$40 million in replacement energy costs to \$34 million."

Asche also attributed the accelerated reconstruction schedule to: excellent performance by NPPD crews, hired contractors, and utility partners; good weather; an ability to secure agreements with multiple contractors early on in the reconstruction process; and receiving timely access to materials and resources.

Always there when you need us, NPPD's mission is to safely generate and deliver low-cost reliable energy and provide outstanding customer service. Working in partnership with the state's rural public power districts, cooperatives and municipalities, NPPD helps serve an estimated 1 million Nebraskans with retail or wholesale electric power and energy-related products and services. For more information about NPPD visit www.nppd.com.

Talking Points

Estimated Financial Impacts of December 2006 Storm

1. Reconstruction Costs:

- Costs for restoring and reconstructing NPPD's damaged transmission and distribution system to pre-storm level conditions is estimated at \$140 million.
 - \$136 million is related to transmission expenses
 - \$4 million is related to distribution and sub-transmission expenses

- NPPD expects to receive federal (FEMA) assistance at a minimum equal to 75% of all eligible reconstruction costs.
 - For planning purposes, NPPD is assuming that \$85 million will be reimbursed by FEMA.
 - The remaining \$55 million not reimbursed by FEMA will be financed using long-term debt and the cost repaid over 20 to 25 years.
 - Estimated annual debt service of \$3.8 to \$4.3 million beginning in 2008.
 - FEMA reimbursement typically takes 3 to 5 months from claim submission which can only be made after the work is completed and all actual expenses have been appropriately accounted for.

- Payment of this storm-related long-term debt is expected to have an impact on future wholesale and retail rates of less than 1 percent.

Talking Points

Estimated Financial Impacts of December 2006 Storm

2. Generation Costs and Production Cost Adjustment (PCA):

- The Dec. 30 ice storm struck the center of NPPD's transmission grid knocking out key transmission lines used to transport energy west to east across Nebraska and resulting in reduced output from Gerald Gentleman Station (GGS).
 - Reduced output from GGS resulted in a need for NPPD to buy or generate power from more expensive generation sources, primarily fueled with natural gas and diesel oil, to meet the energy demand of customers.
 - Reduced output from GGS also resulted in NPPD receiving substantially less off-system sales revenues and related margins than had previously been included in the 2007 NPPD Budget.

- Total increased energy costs (i.e. replacement energy and increased fuel costs) related to reduced output from GGS due to the storm is currently estimated at \$34 million.
 - These costs are not expected to be eligible for federal disaster payments.
 - NPPD is using \$22 million of available dollars in its Rate Stabilization Account to offset a portion of the \$34 million cost increase.
 - On April 13, 2007, NPPD's Board approved a wholesale Production Cost Adjustment (PCA) to recoup the remaining \$12 million in costs over a 12-month period beginning April 1, 2007.
 - This equates to an average 2.6% wholesale rate increase.
 - Individual customer impacts will vary depending on usage characteristics.
 - A PCA factor captures the cost difference between Actual energy costs and the Base energy costs used to calculate the Energy Rates in the GFPS rate schedule.
 - The additional energy costs not covered by the available funds in the Rate Stabilization Account are divided by forecasted energy sales to arrive at a cost/kWh.
 - The cost/kWh is applied toward a customer's actual kWh usage and is added to the current monthly bill.
 - The cost /kWh, or wholesale PCA Factor, is \$0.00100/kWh.

- NPPD incurred costs of approximately \$2 million for fuel and expenses related to the installation of mobile generators in up to 14 communities following the storm.
 - A portion of these costs will be eligible for reimbursement by FEMA. An estimate of the unreimbursed costs will be included in the estimate of additional energy costs to be recovered as part of the PCA.

RESOLUTION NO. _____

WHEREAS, Lexington City Code Section 8-19, authorizes the City Council to establish by Resolution a schedule of rates and charges for electric service;

WHEREAS, the Nebraska Public Power District has levied a Production Cost Adjustment of \$0.0010 per kilowatt hour to wholesale electric customers effective April 1, 2007 through March 31, 2008;

BE IT THEREFORE RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF LEXINGTON, NEBRASKA, that the following electric rates are established and shall take effect April 1, 2007, to be reflected on billings received during the month of May, 2007. That all other electric rates previously established shall remain unchanged.

Production Cost Adjustment (P.C.A.): A production cost adjustment of \$0.0010 per kilowatt hour for all electric utility customers.

PASSED AND APPROVED this 24th day of April, 2007.

CITY OF LEXINGTON, NEBRASKA

President of Council

ATTEST:

Deputy City Clerk