



Action Item

BOARD OF DIRECTORS

December 14, 2021

ITEM

Revised 2021 Corporate Operating Plan Expenditure Amount

PURPOSE

Approval of the Revised 2021 Expenditure Amount

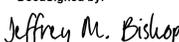
FACTS

- a. The 2021 Corporate Operating Plan (COP), including an authorized expenditure amount of \$1,443.1 million, was approved by the Board of Directors on December 9, 2020. Primarily due to the February Polar Vortex and the severe July storm, the authorized expenditure amount was increased to \$1,738.1 million and approved by the Board of Directors on September 16, 2021 (Resolution #6461).
- b. The Decommissioning and Benefits Reserve Account (DBRA) was established by the Board in 2016 as a tool to manage the District's two largest liabilities: (1) Future decommissioning expenses beyond what was established in the current funding plan in any given year. (2) Future pension liabilities above the annual required contribution. Due to solid financial performance the past few years the DBRA currently reflects a reserve amount of \$115.0 million.
- c. The Decommissioning of the Fort Calhoun Nuclear Station is progressing effectively and the Enterprise Risk Management process has identified a possible worst case increase in decommissioning costs of \$20.0 million.
- d. The Retirement Plan will be the largest OPPD unfunded liability in 2022. The \$95.0 million excess amount in the DBRA will be used to support the Retirement Plan in December 2021 to improve the Funded Ratio of the Retirement Fund.
- e. The use of DBRA funds for the Retirement Plan is accounted for as an expenditure and creates an increase in expenditures of \$95.0 million. The District has had projection updates that partially offset the increase in expenditures, including a lowered capital projection, due to project timing, and a lower contingency amount than requested in the September approval.
- f. Due to the DBRA use for the Retirement Plan that increases expenditures and the offsetting year-end projection updates, it is estimated that the 2021 expenditures may exceed the approved and revised 2021 COP by an additional \$33.8 million. An incremental \$33.8 million above the revised 2021 approved expenditures is \$1,771.9 million.

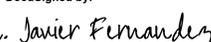
ACTION

Approval of the Revised 2021 Corporate Operating Plan Expenditure Amount of \$1,771.9 million.

RECOMMENDED:

DocuSigned by:

 Jeffrey M. Bishop
 Vice President and Chief Financial Officer

APPROVED FOR BOARD CONSIDERATION:

DocuSigned by:

 L. Javier Fernandez
 President and Chief Executive Officer

JMB:jwt
Attachments: Resolution



Yoder/Bishop

DRAFT
RESOLUTION NO. 64xx

WHEREAS, in Resolution No. 6461, the Board of Directors approved the Omaha Public Power District's 2021 Revised Corporate Operating Plan (COP) which includes projected expenditures for the District's operations, all phases of the District's Capital Expenditure Plan and the District's fuel needs, in the amount of \$1,738.1 million; and

WHEREAS, the Decommissioning and Benefit Reserve account currently reflects a reserve amount of \$115.0 million; and

WHEREAS, the Enterprise Risk Management process has identified possible worst case increase in decommissioning costs of \$20.0 million and that the Decommissioning and Benefit Reserve should only be adequate to support this level of contingency; and

WHEREAS, the use of the excess \$95.0 million of the Decommissioning and Benefit Reserve Funds to support the Retirement Plan in December 2021 will improve the Funded Ratio of the Retirement Fund; and

WHEREAS, in accordance with the Nebraska Revised Statutes, Management seeks approval of a revised 2021 Corporate Operating Plan expenditure amount of \$1,771.9 million for the additional expenditures described in this resolution.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Omaha Public Power District hereby approves the 2021 revised Corporate Operating Plan expenditure amount of \$1,771.9 million.



2021 Excess Expenditures Request

Board of Directors
All Committees Meeting
December 14, 2021

Executive Summary

- **Additional Expenditures Requested for Pension Expense:**
 - Requesting excess expenditures of \$33.8 million for an adjusted 2021 total of \$1,771.9 million
 - Decommissioning and Benefits Reserve funds in the amount of \$95.0 million will be used for Pension expenditures, to lower the District’s current pension liability.
 - Items partially offsetting the increase Pension expenditures include:
 - The 2021 year-end Capital projection has been lowered by \$27.1 million, primarily due to project timing on the Power with Purpose project.
 - The contingency amount previously authorized is being lowered by \$16.6 million.
 - The availability of September and October actual expenditure results, as well as other 2021 year-end projection updates.
 - Although additional expenditure authority is being requested, the District is in a strong financial outlook for year-end 2021 and is projected to reach a 2.0 Debt Service Coverage ratio.
- **2021 Expenditure Request Timeline:**
 - The 2021 Corporate Operating Plan (COP), including an authorized expenditure amount of \$1,443.1 million, was approved by the Board of Directors on December 9, 2020.
 - Primarily due to the February Polar Vortex and the severe July storm, the authorized expenditure amount was increased to \$1,738.1 Million and approved by the Board of Directors on September 16, 2021 (Resolution #6461).

2021 Expenditure Summary

2021 Year End Projection (\$s in 000's)

Expenditure	COP	9/16 Update***	Current Total	Var.
Fuel Costs and Purchased Power	\$365,021	\$587,283	\$595,900	8,617
Non-Fuel Operations & Maintenance	403,292	411,500	480,156	68,656
Total Debt Service and Other Expenses	131,145	122,491	122,079	(412)
Payments in Lieu of Taxes	36,139	37,883	38,517	634
Capital Expenditures*	370,000	389,554	362,366	(27,188)
Regulatory Amortization	14,838	14,837	14,836	(1)
Decommissioning Expenditures**	122,688	147,914	148,069	155
Contingency	0	26,638	10,000	(16,638)
TOTAL EXPENDITURES	\$1,443,123	\$1,738,100	\$1,771,923	\$33,823

• Items of Note:

- Current projections including a \$10.0 million contingency result in an estimated excess expenditure need of \$33.8 million.
- Requesting authority for \$1,771.9 million in Expenditures for 2021.

*Capital Expenditures are shown net of Contributions in Aid of Construction.

**Decommissioning Expenditures represent expenditures related to Decommissioning activity, which differs from Decommissioning Funding.

*** September updated expenditures approval reflects resolution #6461 on 9/16/2021.

Appendix

(Slides Reviewed During 11/16/21 All Committee)

Decommissioning & Benefits Reserve Account Summary

- The Decommissioning and Benefits Reserve Account (DBRA) was established by the Board in 2016 as a tool to manage the District's two largest liabilities.
- The DBRA is authorized to fund:
 - future decommissioning expenses beyond what was established in the current funding plan in any given year
 - future pension liabilities above the annual required contribution
- Management is authorized to use regulatory accounting to reduce current revenues to fund the DBRA and conversely increase revenues when using the DBRA in the future.
- The DBRA reserve amount is currently \$115 million.

Decommissioning & Benefits Reserve Account Analysis & Conclusion

Probabilistic Analysis

- Developed a probabilistic model that determines whether reductions in the DBRA to support the Retirement Fund will reduce the probability of fully funding decommissioning
- Model variables include decommissioning expenses, funding levels, investment returns, and refunds for spent fuel

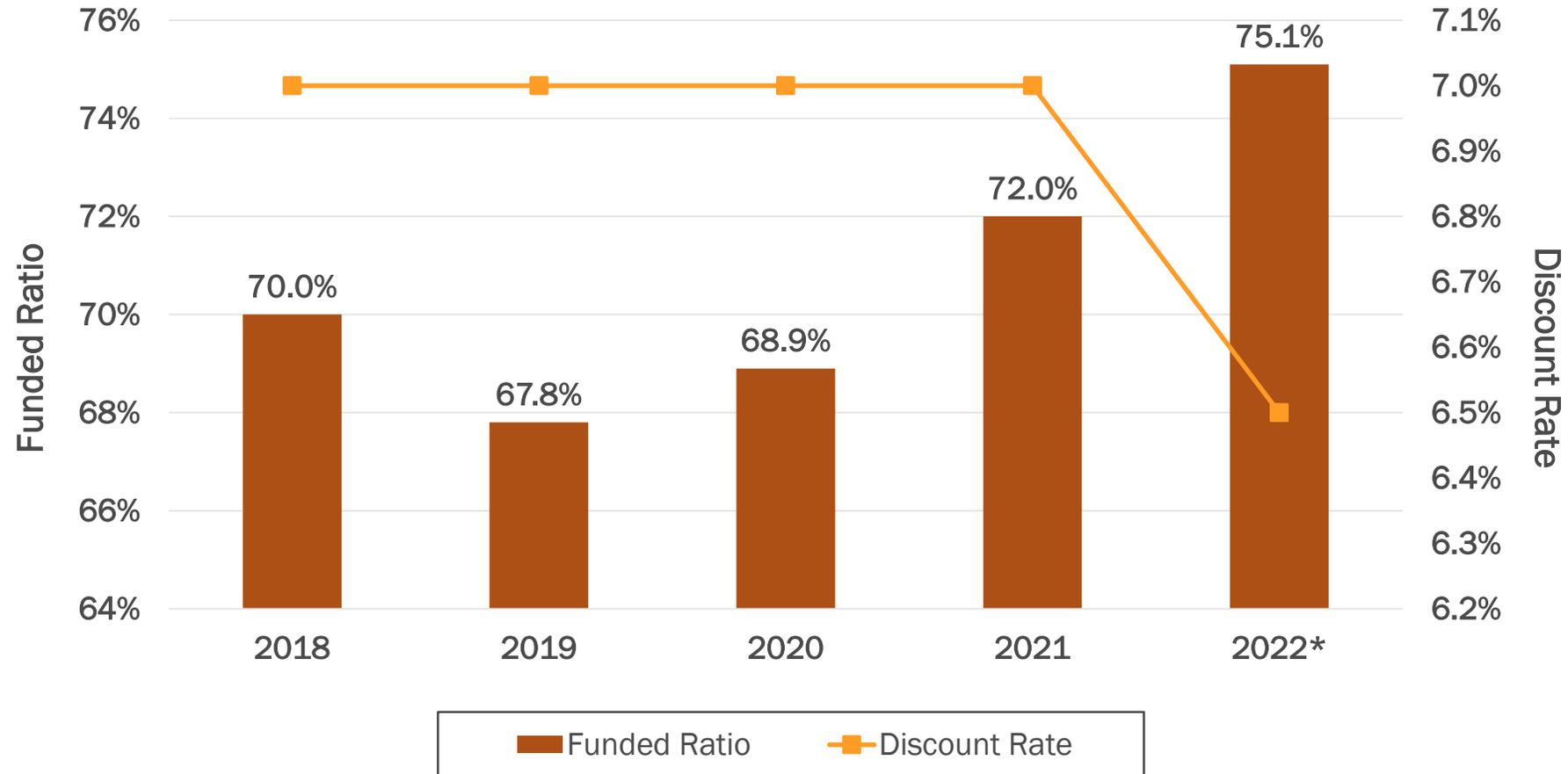
Conclusions

- The Retirement Plan will be the largest OPPD unfunded liability as of January 1, 2022
- The ERM process has identified possible worst case increase in decommissioning costs of \$20 million
- The probabilistic model indicates that 75% chance of fully funding decommissioning costs with a \$20 million DBRA balance to support additional decommissioning expenses

Action

- Use \$95 million from DBRA to support the Retirement Plan in December 2021
- The remaining \$20 million DBRA balance can be used to support decommissioning expenses through 2025

Retirement Fund Funded Ratio & Discount Rate



* Projected and assumes a \$95 million contribution from the DBRA Reserve