



Public Power 101

Nebraska Wind Power 2010 Conference

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Kearney, NE

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A vertical photograph of several white wind turbines against a clear blue sky, positioned on the left side of the slide.

Public Power Basics

- Customer owned (customers are “shareholders”)
 - Operations/decisions reflect customer values
 - Dividend to shareholders are low rates
 - Transparency
- Tax Exempt Financing
- Exempt from certain taxes
 - Payments “in lieu” of taxes common

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Public Power in Nebraska

Unique:

- Only state in the nation served entirely by consumer owned electric utilities.
- Municipal electric systems date back to 1880's.
- Public Power District Statutes – 1933.
- Electric Cooperatives – 1937.
- Joint Action Agencies – 1980's.

Low-Cost:

- Electric rates in Nebraska are consistently well below national average and among 10 lowest cost states.

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The Six Stages of Development of Nebraska's Electric Power Industry

Stage One

1882 - 1910: Creation of the First Municipal Systems. The City of Crete formed an electric department in 1887.

Stage Two

1911 - 1933: Nebraska is served by several hundred municipal utilities and 42 private electric companies consolidated under the ownership of 5 holding companies.

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The Six Stages of Development of Nebraska's Electric Power Industry

Stage Three

1933 - 1946: Nebraska Legislature moves to create public power districts while Congress passes Rural Electrification Act and Public Utility Holding Company Act. Investor-owned utilities are acquired by public power districts (primarily Consumers PPD and Omaha PPD)

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The Six Stages of Development of Nebraska's Electric Power Industry

Stage Four

1947 - 1973: Substantial growth in demand for electricity and disagreements over who would build new generation. Years of legal and political wrangling culminate in the voluntary formation of NPPD. Also the Power Review Board is formed in 1963 to help resolve territorial disputes and coordinate planning and approval for generation and transmission facilities.

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The Six Stages of Development of Nebraska's Electric Power Industry

Stage Five

1973 - Mid 1990's: Arab oil embargo slows demand growth, Congress enacts major environmental legislation and passes the Public Utility Regulatory Policies Act (PURPA) ushering in a new era of independent power production. Significant generation expansion (nuclear and coal).

In 1992, Congress enacted the National Energy Policy Act which pushed greater wholesale competition while industrial customers continue to press for competition at the retail level.

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The Six Stages of Development of Nebraska's Electric Power Industry

Stage Six

1992 - Present: Federal push for wholesale and retail competition. Energy Policy Act of 1992, LR 455 Study (1996-98). LB 901 (2000) annually reviewing wholesale and retail competition. Privately-owned generation (wind) constructed in Nebraska for the first time in more than three-quarter's of a century.

Nebraska's Public Power Structure Today

- 121 Municipal Systems
- 31 Public Power Districts
- 11 Cooperatives
- 1 Public Power & Irrigation District
- 1 Federal Agency

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Nebraska Power Market Participants

- Nebraska Public Power District (NPPD)
- Nebraska Municipal Power Pool/Municipal Energy Agency of Nebraska (NMPP/MEAN)
- Omaha Public Power District (OPPD)
- Lincoln Electric System (LES)

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Nebraska Power Market Participants (cont.)

- City of Grand Island
- City of Hastings
- Tri-State Generation and Transmission Association
- Central Nebraska Public Power & Irrigation District

Nebraska Power Review Board

- Created in 1963
- 5 members appointed by Governor, confirmed by Legislature
- Cash funded, no funds from general tax revenues
 - Assessments levied on power suppliers operating in Nebraska
- Primary responsibilities:
 - Creation & certification of retail and wholesale service area agreements between electric utilities
 - Approval of construction of new electric generation facilities and certain transmission lines
 - Oversees filing of a coordinated statewide power supply plan

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Nebraska Power Association

- The Nebraska Power Association (NPA) was formed in 1980
- Provides a forum to resolve and discuss intra-industry issues
- Represents all of Nebraska's publicly-owned, electric utility systems
- 15-member Board of Directors
- Key reports:
 - Annual load and capability report
 - Periodic statewide long range power supply plan
 - Nebraska Wind Integration Study
- www.nepower.org

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Basic Statutory Structure of Electric Utilities in Nebraska

- Provide low-cost, reliable electricity without conflict, competition and duplication of facilities.
- Statutory structure focused on consumer-owned utility serving Nebraskans.
- Exclusive retail service areas.
- Generally cannot construct or acquire generation or transmission facilities without approval of the Nebraska Power Review Board.
- No retail wheeling.
- Can't transfer generation to retail customers in another utility's retail service area.
- Statutes don't contemplate construction of facilities primarily for export.

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Why Nebraska's Public Power Industry is Behind Surrounding States in Wind Development

- Nebraska has a generation surplus.
- Existing resource production costs are less expensive than wind.
- IOU's and other private developers can receive lucrative production tax credits which significantly reduce the capital cost of projects.
- Limited transmission in best wind areas
- Some surrounding states have a Renewable Portfolio Standard (RPS) requiring a certain percentage of electricity comes from renewable sources.

Average Monthly Residential Bill Per State - 1,000 kWh

2010 National Rate Survey

