

NEBRASKA PUBLIC POWER DISTRICT

MANAGEMENT REPORT  
ON  
DEMAND RESPONSE PRACTICES  
STANDARD

OF THE  
PUBLIC UTILITY REGULATORY POLICIES ACT  
(PURPA)

JUNE 8, 2023

## **A. PURPA Demand Response Practices Standard**

The U.S. Congress passed the Infrastructure Investment and Jobs Act of 2021 (IIJA), which amended the Public Utility Regulatory Policies Act of 1978 (PURPA) by adding two new federal standards for qualifying utilities to consider and determine whether to adopt by November 15, 2023. One of these standards requires utilities to consider “Demand Response Practices”.

PURPA Section 111(d)(20) retail service standard states:

- (A) IN GENERAL – Each electric utility shall promote the use of demand-response and demand flexibility practices by commercial, residential, and industrial consumers to reduce electricity consumption during periods of unusually high demand.
- (B) RATE RECOVERY -
- (i) IN GENERAL – Each State regulatory authority shall consider establishing rate mechanisms allowing an electric utility with respect to which the State regulatory authority has ratemaking authority to timely recover the costs of promoting demand-response and demand flexibility practices in accordance with subparagraph (A).
- (ii) Nonregulated Electric Utilities - A nonregulated electric utility may establish rate mechanisms for the timely recovery of the costs of promoting demand-response and demand flexibility practices in accordance with subparagraph (A).

## **B. NPPD Consideration of PURPA Standard**

Nebraska Public Power District (NPPD) is a political subdivision of the State of Nebraska whose rate setting requirements are governed by Section 70-655 of the Nebraska Revised Statutes. Section 70-655 states that the publicly elected Board of Directors shall have the power and be required to fix, establish, and collect adequate rates for electrical energy which rates are fair, reasonable, and nondiscriminatory.

In accordance with this regulatory requirement, NPPD’s ratemaking objectives include the following principles:

- Recovery of revenue requirements
- Fair distribution of costs
- Provision of accurate price signals
- Revenue stability
- Rate stability
- Simplicity, practicality, public acceptability

NPPD’s rate-making philosophy and structure as a public power utility requires the recovery of costs for its demand response rates and programs in a timely fashion. NPPD also has the incentive to adopt demand response programs where the expected cost reduction to NPPD is equal to or greater than the expected revenue reduction it receives from its residential, commercial and industrial to ensure a cost shift does not occur from those participating in demand response programs to those that do not participate in these programs.

NPPD has a long history of developing and offering numerous programs to its residential, commercial, industrial, and irrigation customers that promote demand response. The following table provides details of NPPD’s existing demand response programs.

Type of Rate/Program	Customer Type	Implementation Date
Off-Peak Service	Commercial & Industrial	Early 1960’s
Demand Waiver Program	Commercial & Industrial	1996
Time-of-Use (TOU) Rates	Irrigation	1983
	Industrial	2002
	Residential	2021
Interruptible Service	Irrigation	1986
	Commercial & Industrial	2018
Interruptible Market-Based Rate Service	Commercial & Industrial	2023
Demand Response Resource Program	Commercial & Industrial	2021

Off-Peak Service

NPPD’s Off-Peak Service Rider Rate Schedule establishes potential billing demands for commercial and industrial customers that will only be selected from designated on-peak hours during the summer season (June-September) (1000-2200 Monday-Saturday) and winter season (October-May) (0800-2200 Monday-Saturday). Commercial and industrial customers can reduce their bill if they are able to shift their usage to off-peak periods.

Demand Waiver Program

NPPD’s Demand Waiver Program Rider Rate Schedule provides opportunities to commercial and industrial customers to reduce the number of on-peak hours eligible to be used in determining billing demands. NPPD provides notification to customers under this rate each morning designating any hours during that given day as being eligible for billing the demand charge. Customers then recognize savings under this rate if they can reduce their load during the designated billable hours.

Time-of-Use Rates

NPPD offers varying energy rates for time-of-use customers in three customer classes. The following table breaks down the time periods per day for each of the customer classes for the summer and winter seasons.

<b>Customer Class</b>	<b>Season</b>	<b>On-Peak</b>	<b>Mid-Peak</b>	<b>Off-Peak</b>	<b>Super Off-Peak</b>
Irrigation	Summer	1400-1800 M-F (excl. Holidays)	1000-1400 M-F; 1800-2200 M-F; (excl. Holidays)	All other hours	N/A
Industrial	Summer	1000-2200 M-Sat (excl. Holidays)	N/A	All other hours	N/A
	Winter	0800-2200 M-Sat (excl. Holidays)	N/A	All other hours	N/A
Residential	Summer	1400-1900 M-F (excl. Holidays)	N/A	All other hours	2200-0700 M-Sun
	Winter	0700-0900 M-F; 1600-1900 M-F (excl. Holidays)	N/A	All other hours	2200-0700 M-Sun

The energy rate differentials provide an appropriate price signal that incentivizes customers to shift usage to periods of lower demand.

Interruptible Service

*Irrigation*

NPPD offers two types of interruptible service to its irrigation service customers under the Interruptible Irrigation Service Rate Schedule during the summer season: Two-day (per week) and Anytime Control. NPPD may interrupt service to customers under these two control rates for a period not to exceed five (5) hours a day and will not interrupt service during the hours of 2200 – 1000 or during holidays (i.e., Independence Day or Labor Day). The two-day and anytime control energy rates are lower than the energy rate in the standard Irrigation Service Rate Schedule. As an additional incentive to be served under an interruptible irrigation service rate, NPPD charges its irrigation customers a lower cost-based fixed charge if they are served on either of the control rates than if they are served under the standard irrigation rate.

*Commercial & Industrial*

NPPD offers interruptible service to its commercial and industrial customers under the Interruptible Service Rider Rate Schedule. This service provides the opportunity for qualifying customers to pay a reduced demand rate for non-firm service if they are able and willing to curtail down to their firm demand level upon notice by NPPD during instances of system emergencies, high market energy prices or when NPPD needs to manage its annual system peak. In 2023, NPPD expanded its interruptible service offerings to include an Interruptible Market-Based product to its commercial and industrial customers. While many of the provisions are the same as in the Interruptible Rate, this rate option charges the customer for energy use at the prevailing market energy charges NPPD incurs from the Southwest Power Pool (SPP) Integrated Marketplace (IM).

Demand Response Resource Program

NPPD's Demand Response Resource Rider Rate Schedule is a pilot program that provides customers with flexible loads, or a demand response resource (DRR), the ability to offer their DRR directly into the energy and ancillary services markets of the SPP IM. If the customer's bid is accepted and if they are dispatched in the market, they are expected to reduce their load in accordance with existing SPP IM protocols. The actual performance of the DRR will dictate the amount of market revenue the customer will receive. Once the pilot program period is completed, NPPD will consider creating a permanent version of this program.

**C. Recommendation**

NPPD has a long history of promoting and being a leader in offering cost-effective and value-added demand response programs to a wide variety of customers. As a result, NPPD's current practices and overall philosophy comply with the spirit of this standard; however, Management recommends that the Board decline to adopt the PURPA standard described herein and instead consider and adopt the following as NPPD's Demand Response Practices Standard:

NPPD will continue to evaluate opportunities to develop new and expand current demand response programs while also promoting rate designs that encourage demand response practices.