Nebraska Public Service Commission

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CRYSTAL RHOADES

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May 29, 2019

Chair Mark Lawrence
Chair Seth Berry
Committee on Energy, Utilities and Technology
Cross Building, Room 211
100 State House Station
Augusta, ME 04333

Dear Chair Lawrence, Chair Berry, and the members of the Committee on Energy, Utilities and Technology:

Thank you and the Maine Public Advocate Barry Hobbins for inviting me to speak about L.D. 1646, An Act to Restore Local Ownership and Control of Maine's Power Delivery Systems, and my experience with public power in Nebraska. I appreciate and am humbled that you requested my insights and expertise on public power. As I shared with you last week, I am a lifelong resident of Omaha, Nebraska and have served as a Commissioner with the Nebraska Public Service Commission ("PSC") since 2014. The Nebraska PSC regulates telecommunications, natural gas, major oil pipelines, railroads, high voltage transmission lines, and private water company rates.

While the Nebraska PSC does not have jurisdictional oversight of public power in Nebraska, I have experience regulating energy matters through my role at the Nebraska PSC. Because of my experience at the PSC and the National Association of Regulatory Utility Commissioners, I have recruited and encouraged members of my community to run for positions as board members of various public power authorities, which boards serve as the governing authority of their respective power authorities in Nebraska.

As I mentioned last week, Nebraska's public power authorities have worked to keep rates low and maintain day-to-day reliability. Indeed, energy rates in Nebraska are well-below the national average. For example, Omaha Public Power District has rates for commercial customers that are approximately 18% below the national average, and it has rates for residential customers that are approximately 12% below the national average. Importantly, prices vary by locality based on the availability of power plants and fuels, local fuel costs, pricing regulations, and consumption. One of the chief reasons that power rates are low in Nebraska is that our elected boards prioritize lower rates in response to the consumers' demand for low rates. This focus on low rates contributes to decisions made regarding fuel mix, and Nebraska's heavy reliance on low-cost coal is partly a function of Nebraska's focus on low costs. A focus on low costs also impacts investment in long-term capital, and some maintenance gets deferred in order to keep rates low.

That said, our boards are very focused on meeting the day-to-day reliability needs of our consumers, and this means a focus on adequate staffing to handle outages when they occur.

During my testimony before the Committee and lunch afterwards, members requested that I follow-up on a few items. Members asked about: (1) the impact of interest rates when public power needs to borrow money; (2) transmission and distribution costs; and (3) a copy of a recent bill so that the Committee can determine kilowatt costs. I have enclosed a copy of bills from the Omaha Public Power District, they are one of the largest public power entities in Nebraska, although there are many others. I am still working to collect the other documentation and will get that to you as soon as possible.

In my observation and understanding, there are some significant differences between public power in Nebraska and the proposed legislation to create public power in Maine.

- Unlike Maine, which has had a history of investor-owned power companies, Nebraska started with public power in 1882 and continued through rural electrification in the 1930s. Until the 1930s, much of Nebraska had not been fully wired until rural electrification came along. As a result, Nebraska was able to start public power "de novo," whereas Maine would need to transition to public power through the acquisition of private power companies. What this means for Maine is not clear to me because Nebraska does not have any experience with taking over private companies, and the potential cost implications of such actions.

- On the subject of reliability, it is difficult to compare Maine and Nebraska. Both states have serious weather patterns. However, topographically, Nebraska has fewer trees, and as a result, Nebraska has fewer objects that can fall on power lines and disrupt service. Nebraska is also inland, and therefore does not face the impacts of a coastal climate.

- On the subject of electric rates, it is also difficult to compare Maine and Nebraska. Unlike Maine, Nebraska did not restructure its electric industry, and customers in Nebraska pay a single, "all-in" rate for electricity. Maine, by contrast, has restructured its electric industry, and its local electric companies separately provide and bill for a wires-only service. So, to compare Maine and Nebraska, one would need to "unbundle" Nebraska rates in order to remove the price of generation from the overall price of electricity. The remainder would reflect Nebraska's "wires" charge. That said, as I noted above, Nebraska worked hard to keep both generation and wires costs down in response to consumer demand.

As Maine contemplates transitioning to public power, there are a number of things for Maine to be mindful of as it weighs the pros and cons. I would suggest that Maine seriously consider the following questions:

- How does an appointed board have the right tools and incentives to properly oversee Maine public power? How will the board's authority relate to the Maine PUC, which is also an appointed board?

- If Maine decides to hire a private operator to run its electric system at the direction of an appointed board, will the board have sufficient oversight to ensure proper investments and staffing?

- What are the political pressures that an appointed oversight board may have, and how might those pressures impact the investment and operational decisions of the utility?

- How does Maine residential consumer consumption (approximately 500kWh/month) which is half that of Nebraska (approximately 1,000 kWh/month) have an impact on rates and investment?

Again, thank you for the invitation to Maine and hope my testimony and this letter provides insights for Maine as you determine the best course for your state. If I can be of additional assistance, please do not hesitate to ask.

Sincerely,

Crystal Rhoades
Commissioner, Second District

your energy partner

OPPD

Omaha Public Power District

07507

0318

Account Number	Due Date	Total Amount Due
[redacted]	Apr 8, 2019	$92.42

Customer Name: [redacted]

Statement Date: March 18, 2019

For bill inquiries call the Omaha Office
(402) 536-4131. See back for toll-free number.

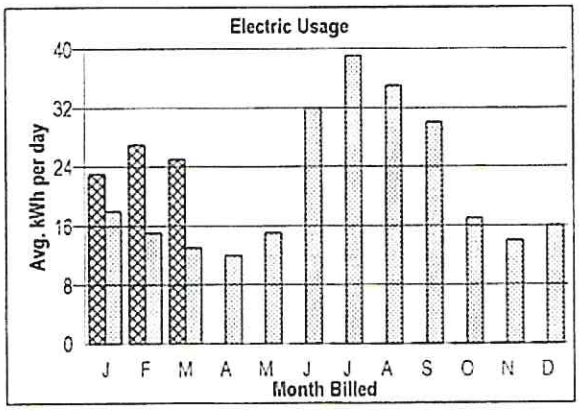
Billing Information for service address: [redacted] OMAHA NE

Rate	Billing Period		Meter Number	Meter Reading				Usage	
	From	To		Previous	Present	Difference	Multiplier		
Residential	2-14-19	3-15-19	281915	99444	166 Actual	722	1	kWh	722

Your Electric Usage Profile

Billing Period	Billing Days	kWh Use	Avg kWh per day	Avg Temp	
				High	Low
2019 ☒	29	722	24	25	9
2018 ☐	29	367	12	45	24

Your average daily electric cost was: $3.19



Service Charge	30.00
kWh Usage	55.03
Fuel And Purchased Power Adjustment	1.34
Sales Tax	6.05
Total Charges	$92.42
Previous Balance	97.66
Payments Received: 02/19/19	97.66CR
Total Amount Due	$92.42

Late Payment Charge of $3.70 applies after due date.

Power Outage Tip: Food can be kept in a refrigerator with closed doors up to 4 hours.

your energy partner

OPPD
Omaha Public Power District

07556

0417

Account Number	Due Date	Total Amount Due
[redacted]	May 7, 2019	$76.88

Customer Name [redacted]
Statement Date: April 17, 2019

For bill inquiries call the Omaha Office
(402) 536-4131. See back for toll-free number.

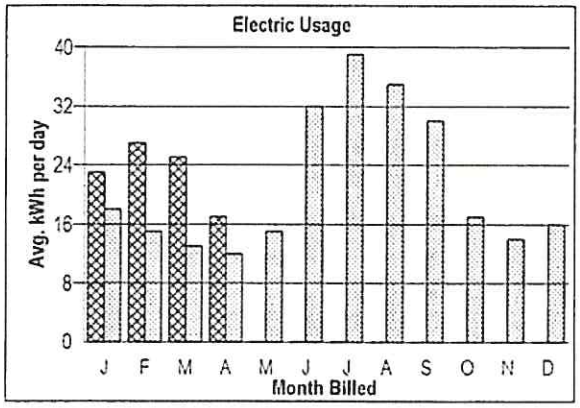
Billing Information for service address: [redacted] OMAHA NE

Rate	Billing Period		Meter Number	Meter Reading				Usage	
	From	To		Previous	Present	Difference	Multiplier		
Residential	3-15-19	4-15-19	281915	166	698 Actual	532	1	kWh	532

Your Electric Usage Profile

Billing Period	Billing Days	kWh Use	Avg. kWh per day	Avg Temp	
				High	Low
2019 ☒	31	532	17	58	37
2018 ☐	32	396	12	49	29

Your average daily electric cost was: $2.48



Service Charge	30.00
kWh Usage	40.86
Fuel And Purchased Power Adjustment	0.99
Sales Tax	5.03
Total Charges	$76.88
Previous Balance	92.42
Payments Received: 03/19/19	92.42CR
Total Amount Due	$76.88

Late Payment Charge of $3.08 applies after due date.

Storm season is coming! Simplify outage reporting by keeping the telephone number for your OPPD account up to date.

your energy partner

OPPD

Omaha Public Power District

07539

0517

Account Number	Due Date	Total Amount Due
[redacted]	Jun 5, 2019	$73.52

Customer Name: [redacted]

Statement Date: May 17, 2019

For bill inquiries call the Omaha Office
(402) 536-4131. See back for toll-free number.

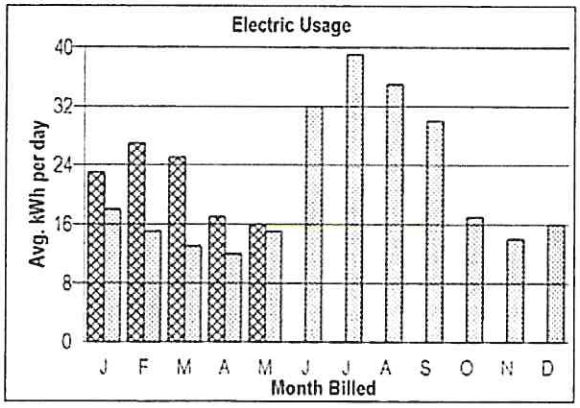
Billing Information for service address: [redacted] OMAHA NE

Rate	Billing Period		Meter Number	Meter Reading				Usage	
	From	To		Previous	Present	Difference	Multiplier		
Residential	4-15-19	5-15-19	281915	698	1189 Actual	491	1	kWh	491

Your Electric Usage Profile

Billing Period	Billing Days	kWh Use	Avg kWh per day	Avg Temp	
				High	Low
2019 ☒	30	491	16	68	47
2018 ☐	30	448	14	72	46

Your average daily electric cost was: $2.45



Service Charge	30.00
kWh Usage	37.80
Fuel And Purchased Power Adjustment	0.91
Sales Tax	4.81
Total Charges	$73.52
Previous Balance	76.88
Payments Received: 05/08/19	76.88CR
Total Amount Due	$73.52

Late Payment Charge of $2.94 applies after due date.

Moving this summer? Start/stop electric service online at www.oppd.com. It's simple and convenient!