



UPCOMING BOARD MEETINGS

November 20, 2024
3:00 pm
Overton Office
Board Room

December 11, 2024
3:00 pm
Mesquite Office
Engineering Building
Board Room

OPD5 offices will be closed for the following:

VETERANS DAY: Nov. 11

THANKSGIVING: Nov. 28-29

CHRISTMAS EVE: Dec. 24
Offices close at noon

CHRISTMAS DAY: Dec. 25

The Overton office will open late at 9 am on Thursday, Nov. 14 for staff training. The Mesquite office will be closed from 1-2:30 pm that day.

Both offices will close early at 3:30 pm on Dec. 6

OVERTON OFFICE
615 N. Moapa Valley Blvd.
Overton, NV 89040
Telephone: 702-397-2512
Fax: 702-397-2583

MESQUITE OFFICE
731 Turtleback Road
Mesquite, NV 89027
Telephone: 702-346-5710
Fax: 702-346-5880

OFFICE HOURS
Monday thru Friday
8:00 a.m. - 4:30 pm
Closed 12:00 pm-1:00 pm

Visit us online at
www.opd5.com

Preparing for the 2nd line



A line crew performs the delicate task of removing fully energized 230kV jumpers at Tortoise Substation in Moapa last month. This was done in preparation for a long-awaited second transmission line to be connected into the OPD5 system at Tortoise. Once connected, the new line will provide redundancy to the district's connection to the regional power grid, thus enhancing reliability and reducing the chance of a system-wide outage.

Manager's message...

Ratemaking process not taken lightly

By **MENDIS COOPER**
OPD5 General Manager

The process of determining utility power rates is not very flashy nor is it exciting. It is a complex, technical topic with a dizzying array of variables that must be considered along the way. So it is understandable that not many people really want to go there.

However, sometimes the most difficult topics are also the most important. For example, when a rate increase is on the horizon - as it is now at OPD5 - it is a good idea for our customers to delve into the details just a bit and understand our process. So I am going to try my best to explain that process in simple terms.

Firstly, it is important to note that rate in-

creases have not been a frequent occurrence at OPD5. Over the past 20 years, our rates have been adjusted only four times. That's right, FOUR! What's more, the most recent of those actually brought a small decrease in usage charges to our customers. Imagine that!

Rate adjustments also don't just happen on a lark. Because the board members and management team at OPD5 are all community members and ratepayers, it affects us as well. So we take the process personally. We approach it with the utmost attention to detail. Through a painstaking process, we study our options and seek the best path forward; always considering the impacts to

See **Manager's Message** on page 4

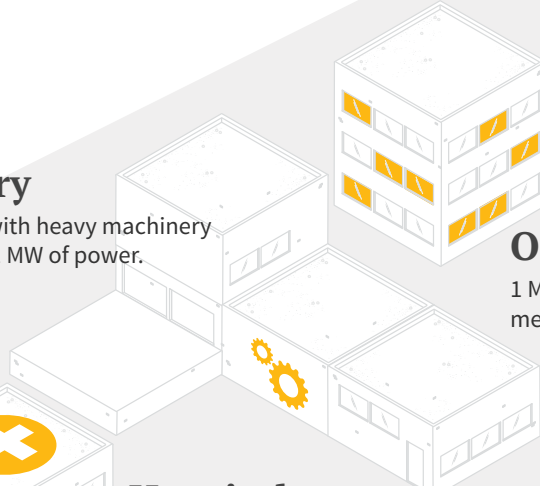
What Is 1 MW?

First in a series

Exploding demand for electricity, lingering supply chain challenges and short-sighted public policy aimed at rapidly eliminating fossil fuels from power generation have forced large portions of the United States to confront unprecedented power shortages and soaring costs. This series of infographics will look at the most critical elements at play in this time of transition for our industry and our society. This month, we examine the familiar measurement of 1 megawatt and how much power is needed to supply common facilities in our communities.

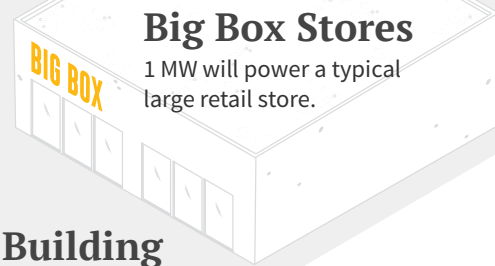
Factory

Facilities with heavy machinery can draw 1 MW of power.



Big Box Stores

1 MW will power a typical large retail store.



Office Building

1 MW can power several medium-sized office buildings.



Hospital

1 MW will power a small hospital.



Power Plant

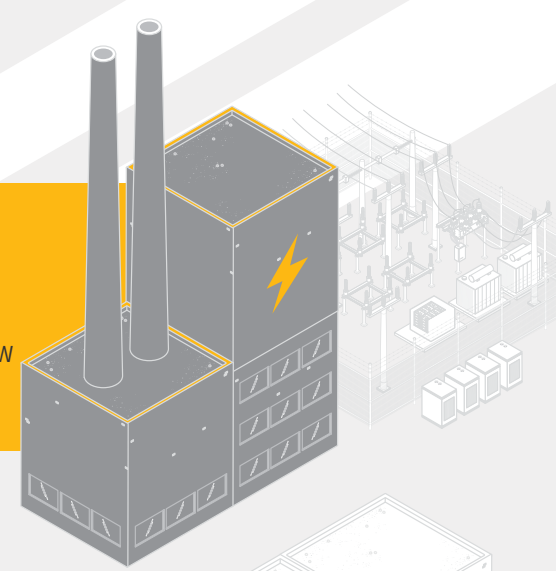
Typical outputs:

Coal: 500 MW to 1 GW

Gas: 50 MW to 1 GW

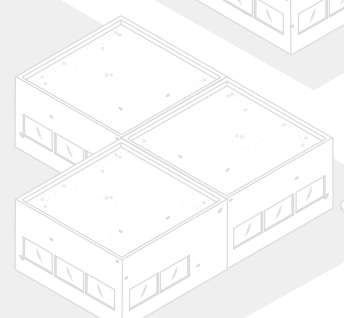
Nuclear: 500 MW to 1.5 GW

1 MW is 1 million watts of power.



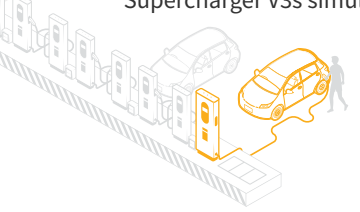
School

0.5 MW will power a medium-size public school.



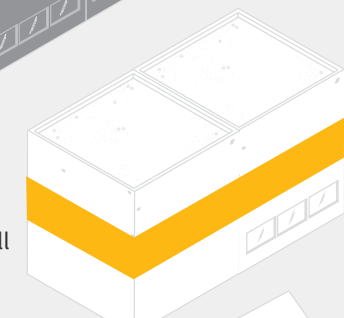
EV Charging

1 MW can power four Tesla Supercharger V3s simultaneously.



Data Center

1 MW will power one small data center.



Other facilities that can draw up to 1 MW of power:

- High-speed rail
- Large farms
- Wastewater treatment
- Stadiums

Residential

1 MW can power 750 to 1,000 homes.



Laying a groundwork for OPD5 rate discussions

Mike Young recently answered a series of questions about the upcoming power rate discussions at OPD5. Young has served on the board since 2014. He occupies Seat #5, one of two seats representing the City of Mesquite. Young is retired from a 40-year career working for a water and power utility in Southern California with a customer base of 16 million people. He has lived in Mesquite since 2002.

• *The OPD5 board has been in discussions about the need to raise power rates. What are the factors out there that have brought about that need for an increase?*

MY: First of all, the cost of power is trending up all across the country. I recently attended a regional power conference where a speaker talked about two main factors driving these trends.

The first was a marked increase in the demand for power. That is driven partly by all of these huge new data centers being built across the country; but also by the trend toward electric vehicles. Those things are driving the demand to higher and higher levels.

The second factor is on the supply side. We are seeing a nation-wide reduction in generation from traditional baseload power sources. For example, most of the nation's coal plants are slated to be gone within the next 10 years. And policy-makers are counting on wind and solar power to make up the difference. It seems like it is a very optimistic conclusion that solar and wind could be depended upon to fill that gap. They are both highly variable and dependent on weather conditions which are constantly changing.

To answer the question, though, those are the main reasons for increased energy costs: a demand that is trending upwards; all while reliable power generation is being reduced.

• *These are macro-level factors, though. How do nation-wide trends like these end up coming home to roost in our small communities?*

MY: Well, over the past eight years we have been operating under a pow-

er contract that locked us into 2016 prices. That has been great for us. We have been very fortunate to be protected from the rising market over that term. Unfortunately, that energy contract expires on December 31 of this year. So now we have had to go out into the market for a new contract. And, as I said, everywhere out there the price is significantly higher. So we are being impacted by that national trend, somewhat beyond our control.

• *Is it the cost of power that is the main driver of the current rate discussions, then?*

MY: Yes. We had an independent rate study done earlier this year. After a painstaking process of examining the district's finances, the analysts reported that our operating costs are in good shape. They are being contained very closely.

But when the cost of power goes up, there isn't enough slack in the budget to absorb that. Consequently, we have to pass that increase on to our customers - and even reduce some of our basic internal costs even more - to mitigate the increase in the market.

• *What do you mean that OPD5 operating costs are being "contained very closely?"*

MY: We operate very cautiously and we try not to expend money on anything that isn't really necessary. OPD5 is not working to make a profit, in contrast to a for-profit utility. Rather the district was formed to provide power to the community at the best possible rate.

For example, our number of employees has been very low, comparatively speaking. Last year, we had a ratio of



OPD5 Board member
Mike Young

307 customers per OPD5 employee. That is a very lean ratio. The state median was at about 183 customers per employee. So we take every opportunity to keep our costs low wherever we can.

• *Has the district done anything else in advance of this to help temper the cost of the looming power increases?*

MY: Yes. Toward the end of last year we entered an energy contract with a company named Escape PV which is building a large photovoltaic generation facility just north of Mesquite in Lincoln County. That plant is supposed to be coming online early next year; shortly after the expiration of our current contract.

It is eventually proposed to generate 185 megawatts of solar power. But we are under contract to purchase only 25 megawatts of that.

The solar energy will provide some relief from the peak usage that everyone sees during the daytime. Plus, it will be at a generally lower cost than we would find on the market. So that will average our power costs down slightly.

What's more, the plant is being built right at our doorstep. For all of the other power we buy we have to pay a wheeling charge to get that energy over a significant distance into our system. But this block of power won't need that transmission cost. That will help to average our costs down even further.

Finally, all of the power that the new plant generates will pass through the OPD5 system on its way to the regional grid to serve the company's other customers. So we will be able to collect a wheeling charge on all of that transmission. Again, that will bring the cost of power down a little more for us.

So this project is really advantageous to us and it comes at a very good time.

• *How seriously do you and the other board members take the decision to raise rates?*

MY: We take it very seriously. We know that our service area has a large num-

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Manager's message

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our neighbors, the ratepayers.

Earlier this year, we asked experts from the National Rural Utilities Cooperative Finance Corporation (CFC) to take a close look at OPD5 and give us some recommendations on our rates, and on a prudent direction forward. CFC is a nonprofit finance cooperative that provides industry expertise to small utilities, including doing detailed rate studies.

The CFC analysts held a large magnifying glass up to the district's finances, from top to bottom. It was an extremely involved process which crunched a tremendous amount of financial data.

What did these experts find? Well, in a nutshell, they determined that the district will need to bring in a total of \$7 million MORE in annual revenues in order to continue operating with financial health in the coming years. In short, a rate increase is on the horizon.

I know what you are thinking. Where in the world did such a significant added revenue requirement come from all of a sudden?

It is a good question. After all, nothing significant has changed in our staffing or our general operating expenses. We are paying for current capital projects with past margins that have been saved for that purpose to minimize our debt. So why, all of a sudden, do we have this urgent need for so much more revenue?

The answer was clear and simple. The CFC team emphasized strongly to us that the increase in revenue was needed because of a significant increase to the cost of power that has occurred since our last power purchase agreement eight years ago. They insisted that it was NOT because of any financial mismanagement or overspending by OPD5. They recognized, all on their own, that we run our operational budget remarkably lean.

Just a few weeks after this rate study was presented, the OPD5 board approved a new power purchase agreement with energy broker Tenaska Energy for a term of three years. We negotiated a fair rate which came at, what we considered to be, an advantageous time in the market. But, as

expected, the new cost of power was higher than our earlier agreement.

After we finished negotiating with Tenaska, we actually went back to the CFC team for their input. They ran the actual rates we had negotiated with Tenaska through their modeling software and provided updated recommendations to aid us in the ratemaking process.

The Tenaska contract will go into effect on January 1, and our cost of power will notch up at that point. More than 50 percent of the OPD5 budget is devoted to the cost of power. So when power costs go up, our rates must rise with them. It is as simple as that.

But just how much of an increase will we see on our bills? Another good question. The answer is coming soon. In fact, it is likely to be determined within the next few weeks by the OPD5 board of directors through a public process.

We have had more than six months now to analyze the numbers, factoring in the new power purchase agreement. With that data in hand, the OPD5 board

members discussed things in detail in their October meeting. They also developed some possible paths forward.

In this month's meeting, the board will likely make the final rate decision. It will be done, not in secret, but in an open meeting with input from the public welcome. All of your questions about the upcoming rate increase are likely to be answered then. And if not, you will be welcome to ask more.

Young

from page 3

ber of people who are retired and on fixed incomes - and even more who are working but have a low income. For those folks, any increase is going to be difficult to absorb. So we are very aware that we have to be very careful about raising rates too much.

All of the board members are members of the community and we are all going to be affected by this, too. So we are going to do the best we can for our neighbors and for ourselves.



Happy Thanksgiving!

...from our family to yours.

OPD5
Est. 1935

Our customers are what we are grateful for.