



WATTS UP



SEPTEMBER 2024 NEWSLETTER

UPCOMING BOARD MEETINGS

September 18, 2024
3:00 pm
Overton Office
Board Room

October 16, 2024
3:00 pm
Mesquite Office
Engineering Building
Board Room

OPD5 offices will be closed for the following:

LABOR DAY: Sept. 2

NEVADA DAY: Oct. 25

VETERANS DAY: Nov. 11

THANKSGIVING: Nov. 28-29

Our offices will open late on Thursday, Sept. 12 for staff training.

Overton office will reopen at 9 am that day.

Mesquite office will reopen at 10 am.

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

Two is better than one



A long-awaited second transmission line crosses State Route 168 on its way to connecting into the OPD5 system at Tortoise Substation (visible in the distance to the left). Recently constructed, this line will provide redundancy to the district's connection to the regional power grid. Having more than one transmission line here will drastically reduce the chance of a system-wide outage and will promote reliability in the OPD5 system.

Manager's message...

A once-in-a-lifetime deal

By **MENDIS COOPER**
OPD5 General Manager

Imagine if, back in 2016, you were offered a deal to buy gasoline from one particular vendor for the next eight years. For your customer loyalty, they would promise to lock the price at the 2016 rate for the entire term of the agreement. Would you have gone for a deal like that?

It turns out it would have been a great deal! In 2016, the average price of gasoline in Nevada was \$2.31 per gallon. The average gas price in Nevada right

now is around \$3.96. That is a spread of \$1.65 per gallon! And we all know that gas prices have gone much higher over the past eight years. Your savings on a deal like that would equate to more than \$15,000 for an average household with 2 drivers. Imagine what you could do with all that money!

Now, you may not know this, but you have experienced a similar great deal over the past 8 years as a customer of OPD5. Back in 2016, the OPD5 board approved an eight year power pur-

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Straight talk about upcoming rate process

OPD5 Chairwoman Judy Metz recently answered questions about upcoming board rate discussions. Metz has served on the board since 2015. She serves on Board Seat #7 which is elected at-large and represents all ratepayers in both valleys.

• *We know that the board will be having a discussion about a rate increase between now and the end of the year. Why is that rate increase necessary?*

JM: I think it is important to note that we haven't had an increase in usage rates since 2012. That is partly because we have kept our expenses really low. But that can only go so far. More than half of our expenses comes from purchased power, and that is subject to the market. A power purchase agreement we made with Morgan Stanley back in 2016 locked us into a really low rate for eight years. We have all benefited from that. Unfortunately, that contract expires at the end of the year. We have been proactive and have already negotiated a new contract at a good rate starting in January. But it is still higher than what we got in 2016 - just because the power market is higher. Since so much of the district's budget is in our power costs, that will likely necessitate a rate increase.

• *What feelings do you have, as a board member, in considering rate increases?*

JM: These are really hard decisions. The OPD5 board is not some distant entity like other large public utilities have. Each one of us is a member of the community. So if we are considering a rate increase, we know it is affecting our family, our neighbors, our friends - and even our own household budgets. So we like to try and work it out in a way that hurts folks the least, all while keeping the district viable and able to provide its service. That is a really difficult path to navigate.

• *What has been done at OPD5 to prepare for the upcoming rate decision?*

JM: Well, firstly we entered a contract

last November to purchase a block of solar energy from a new solar plant being built just north of Mesquite. While that plant is not our project and will not be owned by OPD5, we will still benefit from it. It will provide low cost, renewable energy; coming almost directly to us at greatly reduced transmission costs. That will have a moderating effect on our overall cost of power and, thus, will reduce the amount of the rate increase.



OPD5 Board Chair
Judy Metz

Secondly, we requested a detailed rate study from the experts at National Rural Utilities Cooperative Financial Corporation (CFC). This organization has had almost 70 years of experience in answering to ratepayers in rural power co-ops across the country. They have a good process in trying to protect ratepayers while also protecting the financial security of the district. The data from that study has given us some sound recommendations upon which our board can base our upcoming rate discussions.

• *So what can we expect in the upcoming rate increase?*

JM: First off, I recognize that for some people, any rate increase is going to really hurt. Our whole board is sympathetic to that. But as board members, we walk a thin line between wanting to spare ratepayers that pain and a fiduciary duty to keep the district viable. It won't help anyone to have a power district that is financially strapped.

But to answer the question:, with all the prep work that we have done over the past year, I really don't think that this increase is going to be excessive or extreme. It should be incremental, which is how we like to keep these things. It is not going to be something where most people will despair and say "Oh my goodness! How will we ever pay the bill?" Rather, I hope it will be more like,

'Okay, I think we can manage that.'

• *When should we expect the increase to be effective?*

JM: Well, there is a public process that we must follow first, of course. We have seen this coming. We got the CFC rate study back in April. But the board made a conscious decision then not to increase rates right away. The new power agreement doesn't take place until January and OPD5 is in a solid financial position. We have already paid for the capital projects that we are doing right now. So there was no reason to make people start paying a higher rate right away. We will be having discussions in the next few months and will go through the process of deciding when the increase will be effective. I'm guessing around the beginning of the year.

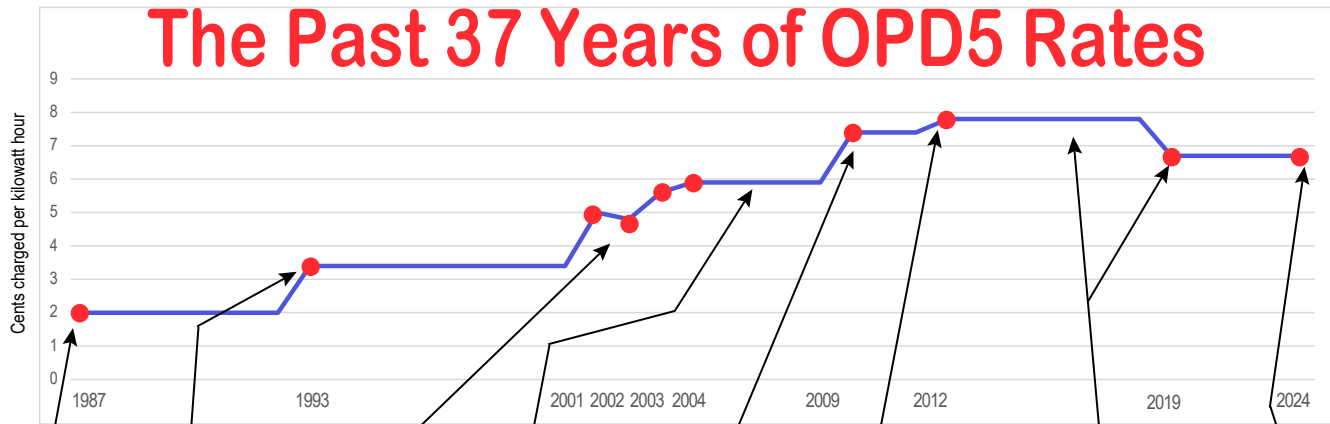
• *How can members of the public stay informed and be involved in this upcoming ratemaking process?*

JM: That is the great thing about having a locally-elected board making these decisions. The discussions take place openly, in public, right here in our local communities at upcoming board meetings. Those meetings are posted and the public is welcome to come, listen and provide input. Our board meetings are the best place for people to give input because you have all of your elected board members there and all of the OPD5 administrative staff is there. So you can get right to the heart of the matter.

• *What is your favorite part of serving on the OPD5 board?*

JM: It would have to be working with the members of our communities and representing them and their interests. I enjoy communicating with local folks about what is going on at OPD5. I know that people have questions so I always love for them to come and ask and have a discussion. My door is always open to sitting down with people, talking to them and explaining what is going on at OPD5. That is one of the things I love the most.

The Past 37 Years of OPD5 Rates



1987
With less than 3,000 customers in both valleys, the district's historic allotment of hydropower resources were plenty to meet its needs. The district didn't need to venture into the market to purchase power which kept rates relatively low.

1993
Regional growth begins to reach OPD5 leading to a need for more infrastructure. Tortoise substation and a 138 kV distribution line to Mesquite were constructed. But OPD5 began growing out of its hydropower allotments. This required the district to begin paying market rates to fill the gap in demand.

2001 - 2004
The fall of ENRON, widespread speculation and national price manipulation brought instability to energy markets across the country. This forced a series of rate increases at OPD5. Like many electric utilities, it left the district with a significant debt.

2004 - 2008
A period of rapid growth in southern Nevada. With developers flooding in to present their plans, there was a sudden call for more electrical infrastructure to fuel the expected growth. OPD5 entered power contracts and began to beef up infrastructure in preparation for the anticipated added load.

2009
The Great Recession and a crash in the real estate market snuffed out the promise of rapid growth in the communities. Without that expected growth, OPD5 had to raise rates to pay for planned infrastructure to meet the forecasted loads.

2012
Trying to avoid the pain of a mid-recession rate increase, the OPD5 board delayed an increase in 2010. This led to a larger adjustment needed in 2012 to bring the district's key financial measures back in line.

2015 - 2019
The OPD5 board and management took a 3-prong approach to bring the district back to financial strength. Firstly, they reduced expenses by deferring non-essential system improvements, renegotiating contracts and cutting staff by 20 percent. Secondly, they refunded 2008 bonds reducing interest paid from 8.5% down to 4%. Thirdly, in 2016, they entered an 8-year power contract with Morgan Stanley which brought cost of power down significantly for the district. All of this allowed OPD5 to actually REDUCE rates for customers in 2019.

2024
The Morgan Stanley power contract will expire at the end of 2024. In April 2024, the OPD5 board approved a new contract with Tanaska Energy negotiating a good rate for the coming three years. The new contract is at a higher cost than the 2016 agreement because of a rising market over the 8 years. Even so, the OPD5 board has held off increasing rates until the new agreement takes effect. Rate discussions will be ongoing in the coming months.



Manager's message

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chase agreement with power broker Morgan Stanley. The deal was struck at a time when the cost of natural gas used to produce energy was quite low. Since that time, natural gas prices have gone up and up and up. Despite that, the cost of OPD5 power has stayed locked in at the low 2016 price.

That has allowed the district to forego rate increases during the past several years. In fact the OPD5 board even approved a small rate reduction for its customers. More importantly, the deal has enabled OPD5 to fund a host of essential capital improvement projects without incurring excessive debt.

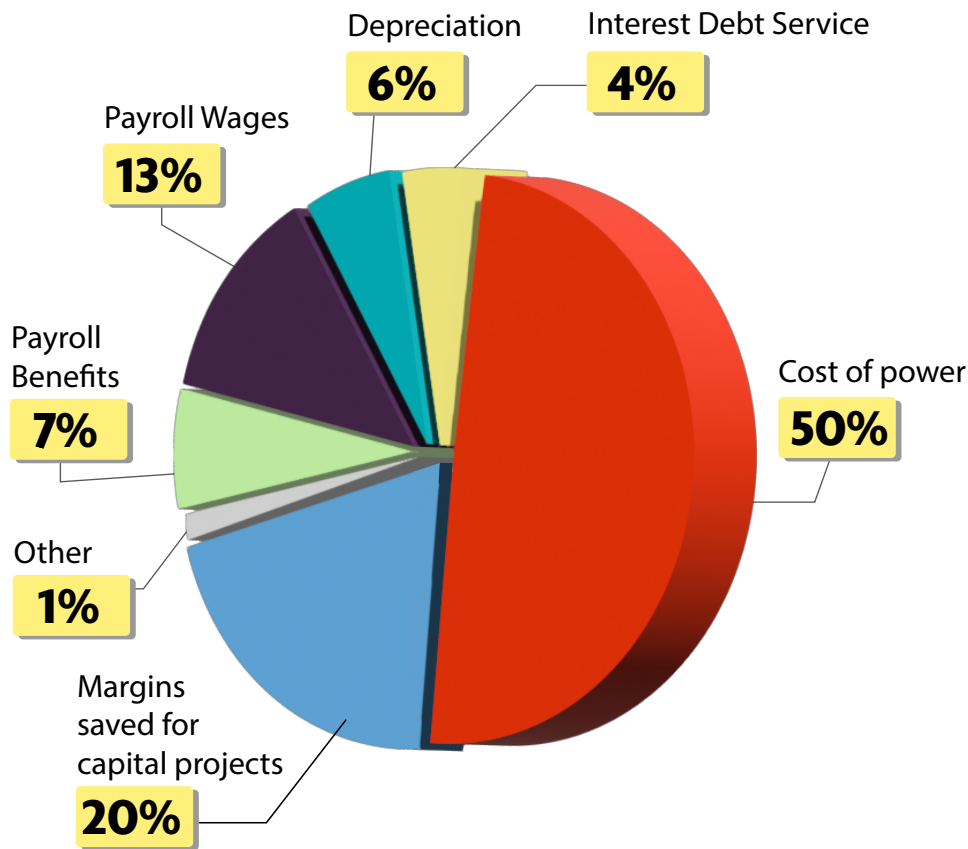
Unfortunately, all good things must come to an end. That sweet deal had an expiration date set for the end

of 2024.

Earlier this year, though, the OPD5 board proactively approved a new power purchase agreement that will take effect in January of 2025. Negotiating that agreement early has locked in a good deal for the district. But our cost of power is still going up from what it has been to meet the current market. That means that it is likely that a moderate rate adjustment will follow. But none of that will negate the deep savings that we have already enjoyed over the past eight years.

While we at OPD5 can't do anything about the price of gasoline at the pumps, you can rest assured that we are always working hard to bring reliable power service to your home at the best price possible. We have been doing that for our communities for more than 80 years now. And we are committed to doing so well into the future.

2024 PROJECTED OPD5 EXPENDITURES



Cutting expenses can only go so far

OPD5 prides itself on running lean. In recent years, the district has tightened its belt; deferring non-essential projects, renegotiating contracts and cutting staff. Those things have all been important and have made a difference.

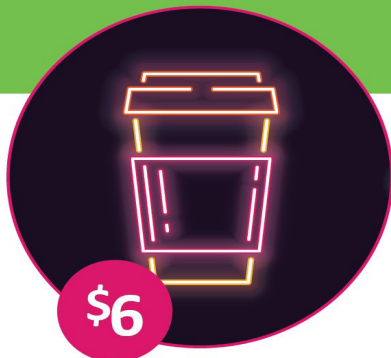
But only about half of the OPD5 budget is operational. The other half is spent on cost of power. Those costs are influenced by regional, national and even international factors. When the market price of power rises, rates are usually going to follow.

OPD5 is committed to running a tight ship. But there is only so much in budget cuts that can be done to offset increases in the cost of power.

Where Do You Find Value?

Did you know the average daily cost of electricity is \$4.57, or about \$140 per month?

Electricity fuels our daily life essentials, from heating/cooling equipment to entertainment devices and appliances. Think of how vital power is compared to other everyday purchases. **That's real value.**



Morning To-Go Latte



Fast-Food Combo Lunch



All-Day Power

Sources: Energy Information Administration, MoneyGeek and CNET