



# OCEC Member Meeting

- November 17th 6:00 PM
- Winthrop Barn (Hen House)
- Purpose: Learn about the COSA process (Cost of Service Analysis). The COSA will help OCEC develop our new rates and rate structure.



# OCEC's Mission

“To provide its members/owners reliable energy and services at the lowest long-term cost and in accordance with sound business and environmental practices”

# Cooperatives are...

- Private independent electric utility businesses
- Incorporated under the laws of the states in which they operate
- Established to provide at-cost electric service
- Owned by the members they serve
- Governed by a board of trustees elected from the membership, which sets policies and procedures that are implemented by the cooperatives' professional staff
- Distribution cooperatives deliver electricity to the members.



# OCEC's Three Part Rate Design Process

- Revenue Requirements
- Cost of Service Analysis
- Rates & Rate Design Alternatives



# Realities of Rate Process

- Rate design is a zero sum game
- Goal is to design fair/equitable structure and rates
- We get nearly all our power from BPA
- BPA increased its rates by an average of about 8.5% in October 2011 . Future annual increases are likely.



# Revenue Requirements

Rate structure/rates have to meet OCEC's total costs to provide electricity to members which include:

- Infrastructure, capital projects, operations and maintenance, delivery of power costs
- Administration ,
- Customer Services
- Cost of power
- Debt payment /reserves



## **Rates collectively need to generate enough revenue to:**

- Cover the annual operating budget
- Support the capital credit policy
- Make principal payments to lenders
- Fund a portion of capital projects



# Revenue Requirements

- Identify current total costs
- Identify future forecast annual costs
  - Include any known changes to costs





# Cost of Service Analysis

- Determines current amount and costs of use by Customer Rate Class
  - Residential
  - Seasonal
  - Industrial
  - Commercial (Large, Small)
  - Irrigation



# Items to Consider in COSA

- Total customers in rate class
- Total energy use (kWh/kW) in rate class
- Allocate assets and expenses to each rate class based on the costs it is responsible for creating.
- Determine change from past use patterns for each rate class.



# Rate Design

- Fair and equitable
- Members who cause the costs, pay the costs
- Know relative amount each rate class needs to contribute
- Consider any other pertinent use data



## **Consultants will guide us through rate structure design (learn from their wisdom)**

- Ideas for rate structure mentioned locally include
  - Base Fee plus kWh rates
  - Tiered rates/inclining block
  - Time of use or season of use
  - Base fee including some electricity
  - Current structure, different rates
  - Automatic pass through of BPA rate changes

# Projected Time Line of the Journey

- Nov '11 - Revenue Requirement developed
- Dec '11-Jan '12 - Cost of Service Analysis developed and presented to OCEC Board
- Jan-Feb '12 - OCEC Board works with consultant to develop alternatives and understand impacts of each
- 1<sup>st</sup> Quarter '12 - OCEC discussions with members
- Late 1<sup>st</sup> Q - Early 2<sup>nd</sup> Q '12 - New rate structure/rates selected and implemented

# OCEC Board Commitment to Members

- Remember that it is a zero sum game
- Do sufficient homework
- Examine and align cost structure of the coop to match mission
- Develop as fair and equitable of rate design/rates as possible
- Assure adequate revenue to keep electricity and other services safe and reliable
- Develop understandable rate design/rates
- Involve members



# Communicate and Feedback from Members

- Member Meetings to Gather Feedback
- Articles in the Methow Valley News and The Methow Grist
- OCEC Website under FAQ for current items.
- Ruralite to be discontinued.
- Mail stuffers in monthly bill.



# Communicate and Feedback from Members

- Presentations to Groups
- Door to Door visits to communicate with commercial members
- Look at putting member meetings on the web for members who live elsewhere.





# Communicate and Feedback from Members

- Call David at 996-2228 with any questions