

CVEA Rate Study Begins

It has been ten years since Copper Valley Electric Association, Inc (CVEA) last conducted a rate study. The study completed in 1997 resulted in an average system decrease of 7.3%. In the last ten years many system changes have occurred and CVEA has experienced a very flat growth pattern as shown by the customer and energy sales growth charts.

In July the Board of Directors selected an experienced consultant who began the rate study in August which will be completed in early 2008.

The purpose of this article is to describe what a rate study is and how it will play out at CVEA.

What is a rate study?

A rate study is a multi-step process used to determine what rates should be charged for energy sales and services. When conducting a rate study, the results of three important questions are determined:

1. How much do we need to operate?

Rates must produce sufficient revenue to recover 100% of the costs to provide electric service, meet lender requirements, and achieve financial targets. CVEA will identify the current and projected revenues and expenses for our electric system.

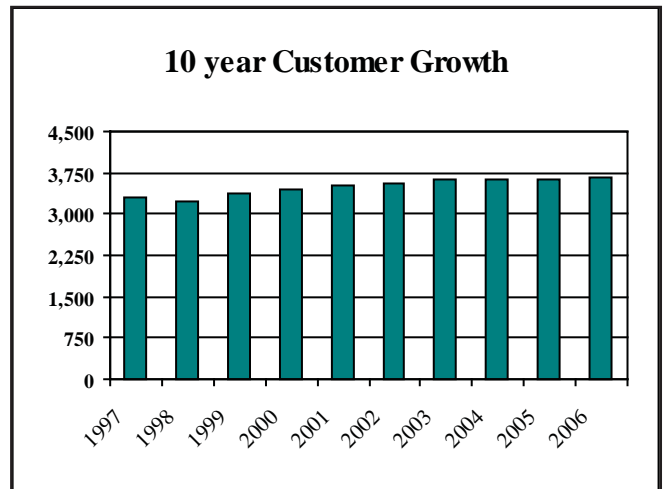
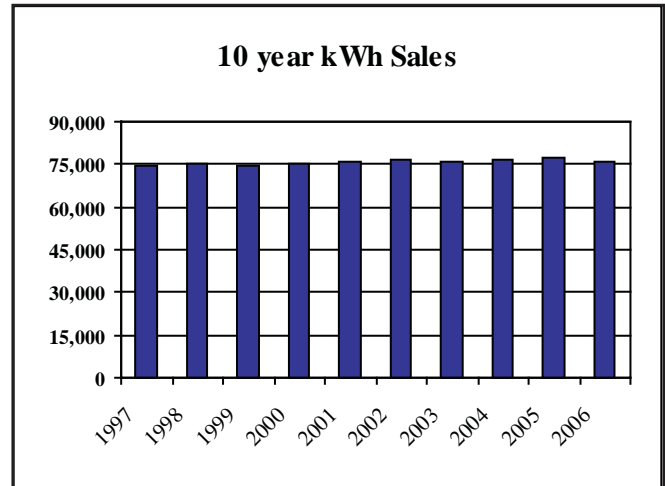
2. Which customers pay?

To design any type of electric rate, a cost of service analysis (COSA) must be completed. This analysis is used by the electric utility industry as a way of allocating actual costs associated with providing electric service to the various rate classes, such as residential, commercial, and industrial.

CVEA will determine an equitable allocation of the annual revenue requirement for the various customer classes. Costs will be classified to find out whether each individual plant investment or cost was incurred to meet a customer's demand, energy or customer related requirements. Finally these costs are divided into customer classes; residential, commercial, industrial, etc. The goal is to have the customers causing the costs of electricity to be paying for those costs.

3. How does CVEA collect it?

Rate options will be developed by using a variety of approaches ranging from the current rate design to alternative rate designs including blocks of usage and seasonal rates. Customer bill comparisons will be developed to determine the rate impacts on different customer classes for different rate alternatives.



Once the rates are designed, several options will be presented to Staff and the Board for input. CVEA's Board will approve new rates and notice to the members will be given at least 60 days prior to the effective change.

Outside Resources

Normally, utility companies contract an objective and unbiased third-party consultant to perform these studies. CVEA is no exception. In June CVEA solicited bids from six experienced firms to conduct the rate study.

Four bids were returned and in July CVEA selected D.Hittle & Associates (DHA) to conduct the study. DHA has extensive experience in cost of service analysis and retail rate design and has provided rate studies to northwest electric utilities since the mid 1970s.

How are changes to the CVEA Tariff proposed and approved?

Tariff 1.4b

1. Management shall support any such recommended change with factual historical operating and accounting data.
2. Proposed changes shall be supported by historical operating revenues and expenses, together with any known and measurable adjustments to revenues and expenses anticipated for the period during which the rates will be in effect.
3. Notice to the members will be given at least sixty (60) days prior to the proposed effective date of any changes in rates or fees exclusive of the fuel and purchased power true up.
4. The proposed change and explanation of the reason for that change shall be published in the Association's newsletter or included with the Association's billing statement, and/or noticed in a newspaper with general circulation in the service area.
5. One or more public hearings will be held in each affected district prior to the proposed effective date of any change. The initial public hearing will be held at least thirty (30) days prior to the proposed effective date of the change.
6. The purpose of the public hearing is to hear member comments and questions pertaining to the proposed change.

Member Education

CVEA will provide several opportunities for members to be involved. Public meetings are planned in both districts to hear member comments and questions. The first public meeting will provide members an overview of the process of a rate study. A second public meeting will give the members an opportunity to comment on the proposed changes.

CVEA Tariffs

In 1998 CVEA members chose local regulation by the Board of Directors over regulation by the state public utilities commission. After becoming locally regulated CVEA adopted the commission approved Tariff to continue to guide its operations and in addition amended the Tariff to include a section addressing changes to existing rates or fees. (see inset). A complete copy of the Tariff is located on our website at www.cvea.org.

CVEA will make an extra effort to keep you updated throughout the process. If you have any questions please contact Jaime Matthews by email at matthews@cvea.org or at (907) 822-8311.

