

ORCAS POWER AND LIGHT COOPERATIVE

POLICY 29

RATE DESIGN

29.1 PURPOSE

To set forth policy relating to the development and implementation of electric rates that follows the strategic objectives of the Cooperative.

29.2 POLICY

29.2.1 Commitment to Rate Design

It is the policy of the Board of Directors of the Cooperative to develop electric rates that allow the Cooperative to provide electricity that is reliable, cost-based, considerate of the environment and maintains the Cooperative's financial strength at the Cooperative's lowest cost. The Cooperative's Rate Structures shall meet revenue requirements, fairly allocate the Cooperative's expenses in relation to each members' use of and impact on the system, reduce the effects of weather, market and other volatility and promote stability in the Cooperative's ongoing financial position as indicated through equity and TIER.

29.2.2 Basic Fundamentals

29.2.2.1 The Cooperative will periodically perform cost of service studies to inform whether existing rate structures are meeting the goals of this policy.

29.2.2.2 Rates will be developed and implemented that:

29.2.2.2.1 Meet revenue requirements and are cost-based;

29.2.2.2.2 Are implemented over time when dramatic rate changes occur;

29.2.2.2.3 Generate margins which meet long-term financial objectives and lender requirements and as per the Cooperative's strategic directives;

29.2.2.2.4 Decrease revenue volatility to counter warming temperature trends and reduction in energy usage.

29.2.2.2.5 **Facility:** Utilize a fixed cost methodology whereby the facility charge collects the Cooperatives' fixed expenses;

29.2.2.2.6 **Demand:** Implement a demand element which reflects the costs associated with variable need for system capacity for all member classes as the phase out/replacement of existing meters progresses;

29.2.2.2.7 **Energy:** Implement a variable mechanism that passes energy costs to members based on their usage;

29.2.2.2.8 **Energy Charge Adjustment (+/-):** Implement a variable mechanism that balances the fluctuation in energy revenues on an as-needed basis. The purpose of this mechanism is to balance the cooperative's finances. The mechanism may appear as a credit or debit on member bills.

29.2.2.3 Rates will incorporate a mechanism for ensuring any member's energy usage above (or below) the Cooperative's power provider's base load rates (BPA Tier 1) will be charged (or credited) for those costs.

29.2.2.4 Rate increases necessary to meet budgetary revenue requirements are to be applied per Board-approved methodology.

29.2.2.5 Rates shall be independent of OPALCO approved member programs for energy conservation, energy assistance (PAL), member owned renewal energy (MORE), etc. The determination of the funding of these programs will be through Board action as laid out during the budgeting process.

29.2.3 Management Responsibility

29.2.3.1 Management will be held accountable for implementing rates as approved by the Board of Directors and routinely report to the Board of Directors as to the need to adjust rates to account for changes in cost or strategic initiatives.



J. Foster Hildreth, General Manager

Effective Date: 1/21/2016