

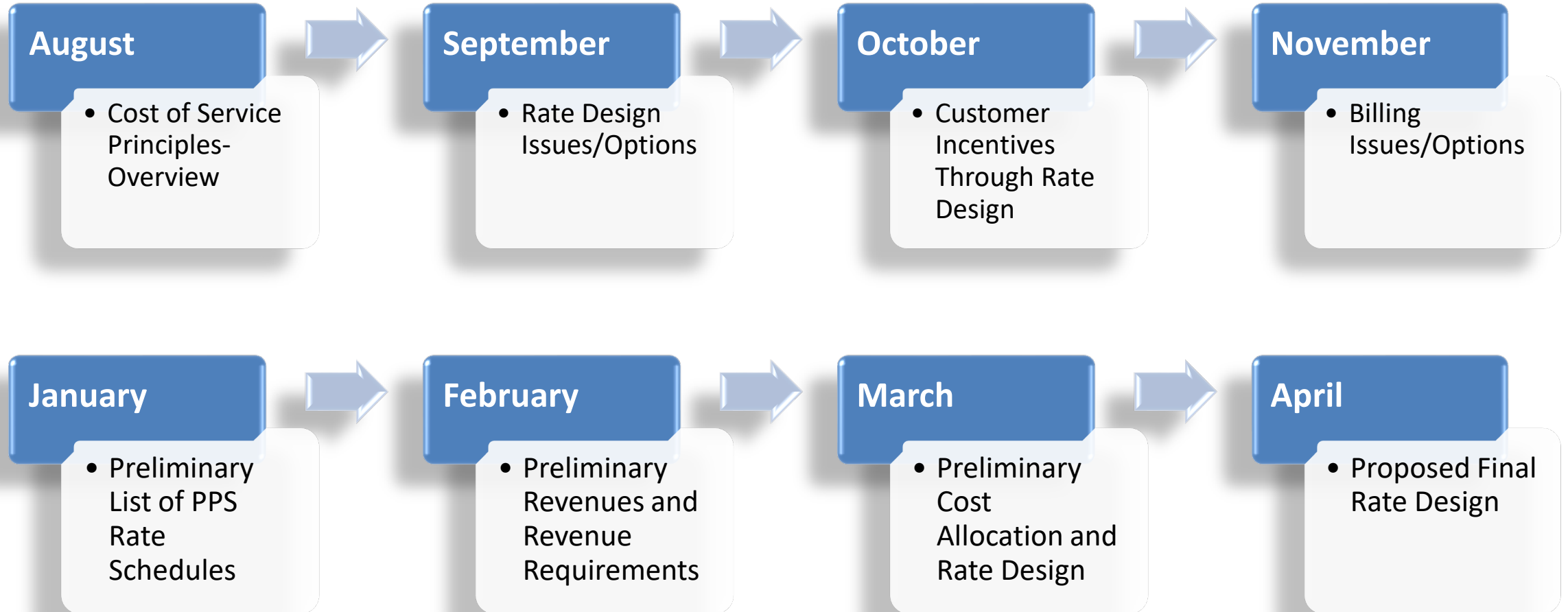


COST OF SERVICE PRINCIPLES - OVERVIEW

WORKSHOP DISCUSSION
AUGUST 10, 2020



WORKSHOP DISCUSSIONS BY MONTH



COST OF SERVICE PRINCIPLES - OVERVIEW

A. Revenue Requirements

- What level of rate revenues do we need?
- Based on historical and projected
 - Operating expenses, net of other revenues, plus
 - Debt service requirements, including reserves, plus
 - Capital expenditures

B. Allocation of Costs

- Assign cost responsibility to rate classes
- Based on use of capacity and energy

C. Rate Design = $A \div B$

REVENUE REQUIREMENTS

Projected “test year” costs to be recovered from rate revenues.

Functionalized Into:

- Generation
- Transmission
- Distribution
- Customer
- Administrative & General

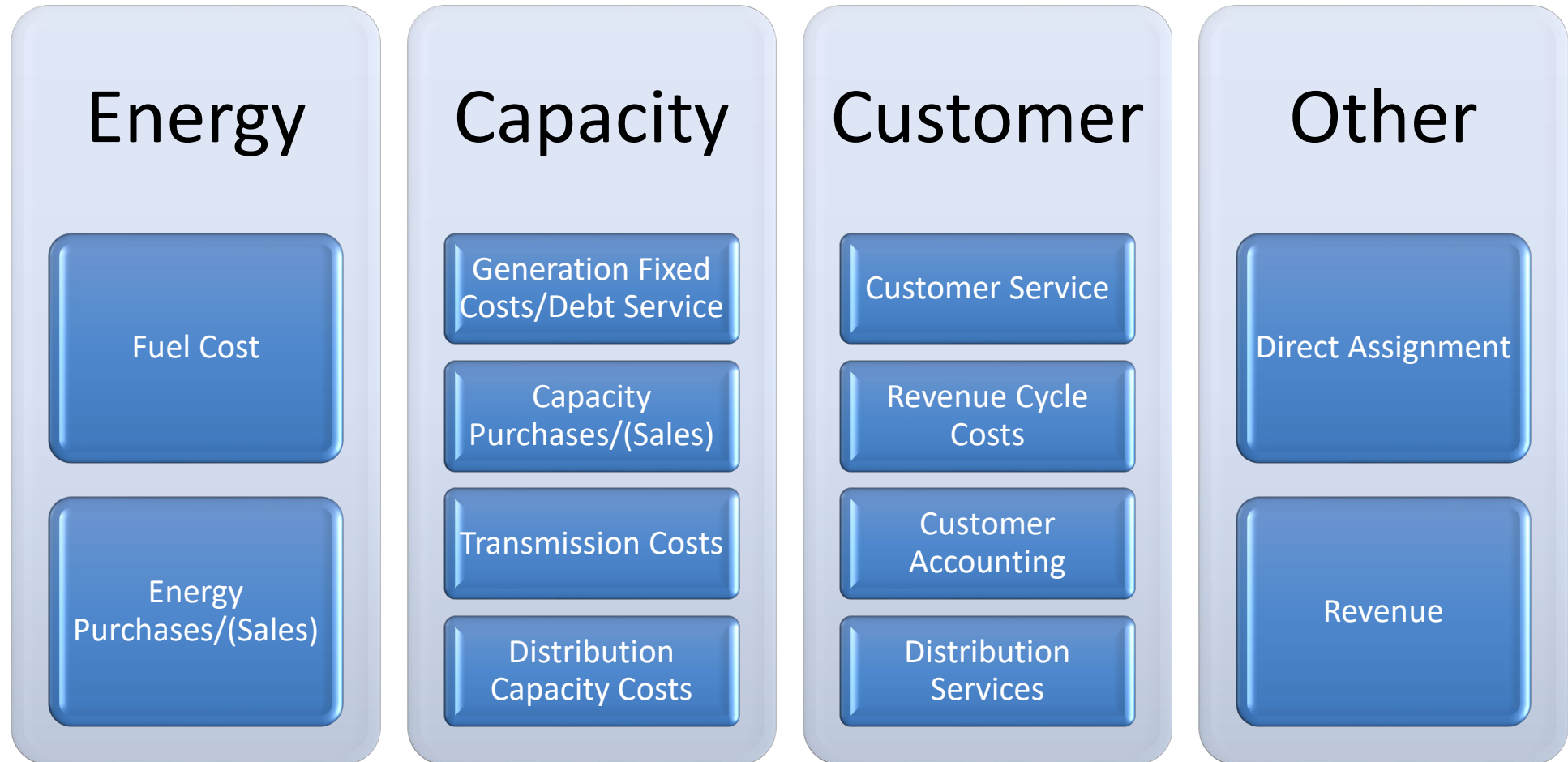
Classified Into:

- Energy-related
- Capacity-related
- Customer-related

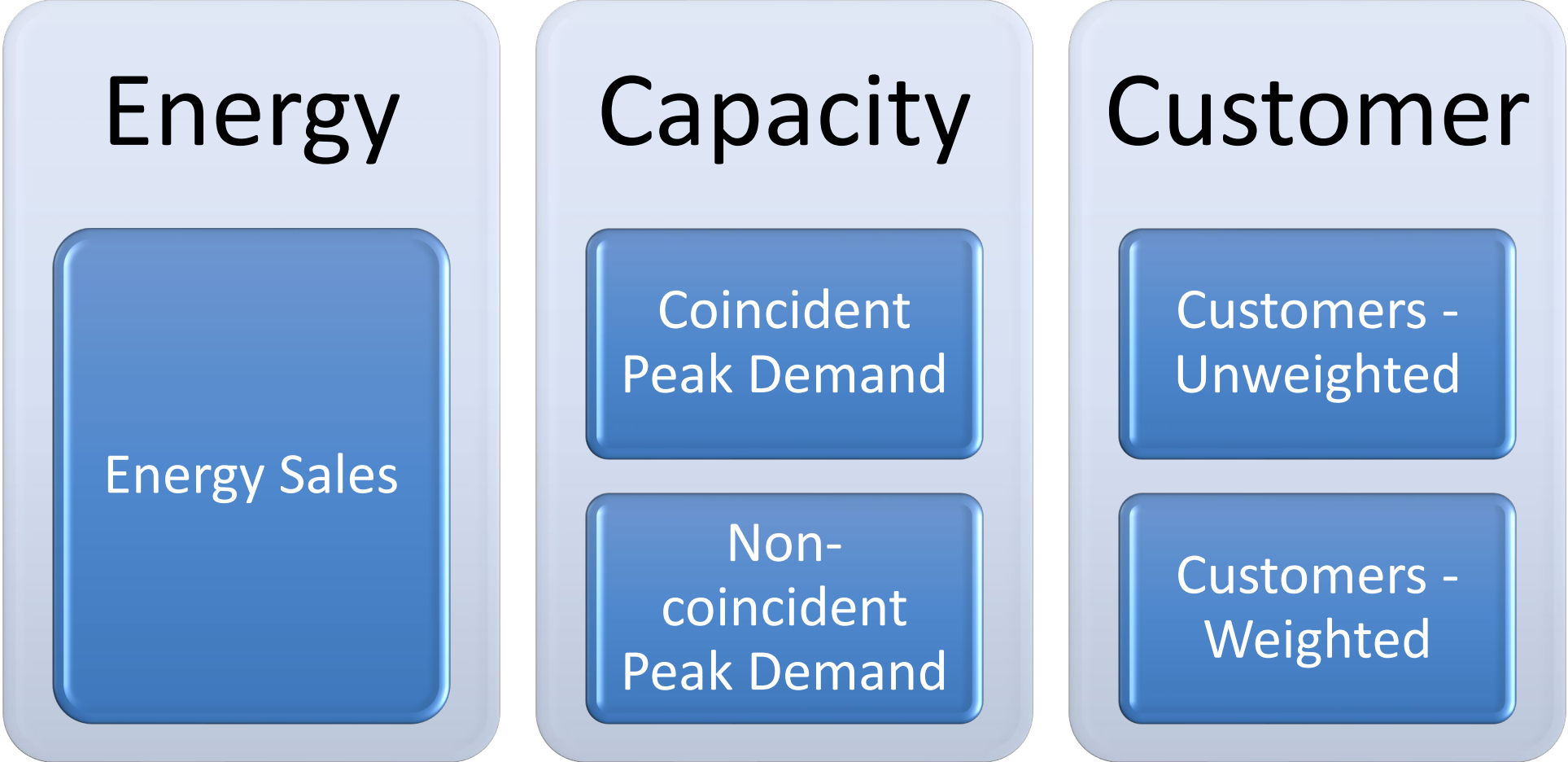
COST CLASSIFICATION AIDS RATE DESIGN

	Energy	Capacity	Customer
Generation	Energy		
Transmission		Capacity	
Distribution		Customer	
Customer			Customer
Admin & Gen	Energy		

ALLOCATION OF COST RESPONSIBILITY



ALLOCATION FACTORS



RATE DESIGN - BASICS

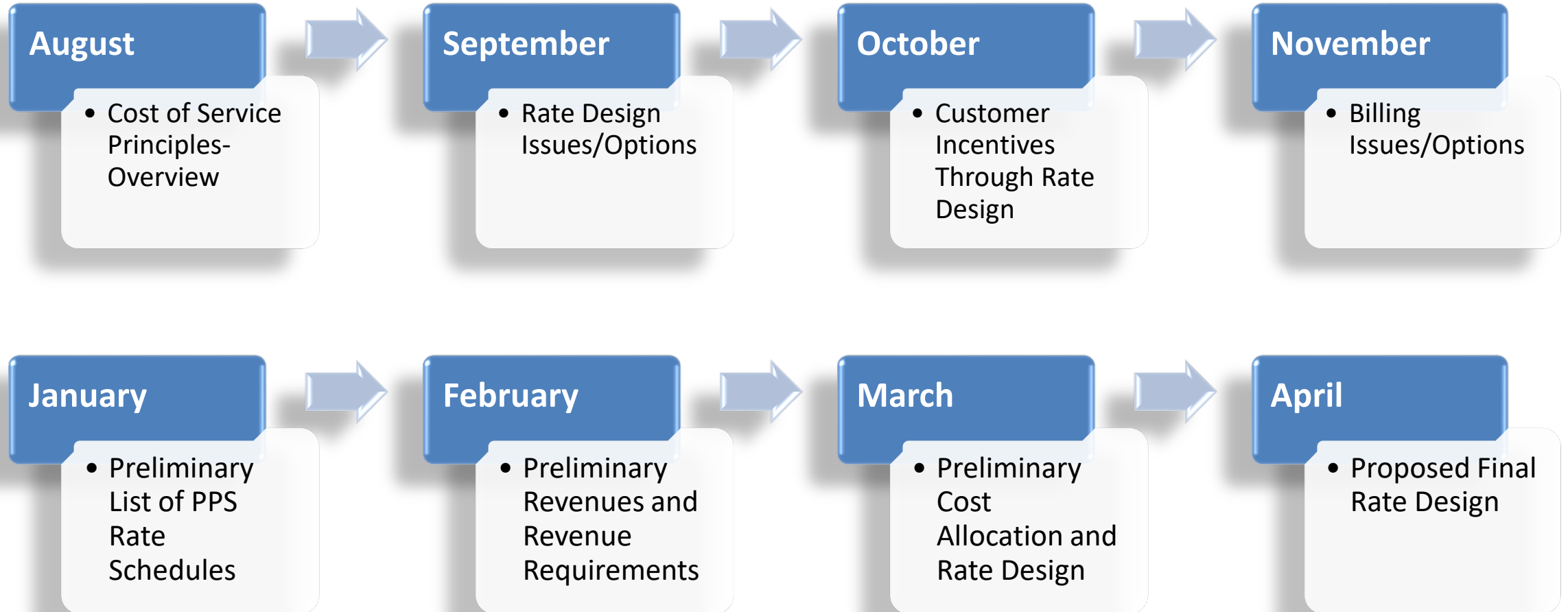
Two-Part Rate

- Customer Charge
- Energy Charge

Three-Part Rate

- Customer Charge
- Energy Charge
- Demand Charge

WORKSHOP DISCUSSIONS BY MONTH





DISCUSSION

COST OF SERVICE PRINCIPLES