



Reporting Item

BOARD OF DIRECTORS

February 15, 2022

ITEM

Rate Design Principle Process

PURPOSE

To provide an update on the Rate Design Principle Process.

FACTS

- a. In response to the Finance Committee’s interest in continuing a robust conversation on rate principle refinement at the District, a conceptual process was presented and agreed upon by the Finance Committee.
- b. The objective of the process will be to align on principles and priorities that will guide future rate design.
- c. The process will include a two phase approach. Phase one will be approximately nine months and will include engaging with a third party to facilitate three comprehensive sessions intended to gain alignment on rate setting principles, cost of service analysis, and retail rate design, as well as time for customer engagement and outreach and rate design analysis. Phase two will be a multi-year effort of customer outreach, rate design, rate piloting, and implementation.
- d. A more detailed outline of the work to be included in the process along with an estimated timeline will be presented to the Finance Committee in March.

RECOMMENDED:

APPROVED FOR REPORTING TO BOARD:

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Jeffrey M. Bishop

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Jeffrey M. Bishop
Vice President and Chief Financial Officer

DocuSigned by:

L. Javier Fernandez

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L. Javier Fernandez
President and Chief Executive Officer

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Attachments: Rate Design Review Proposal

Rate Design Principles

Jeff Bishop
Vice President & Chief Financial Officer
February 15, 2022

Rate Design Principles

Objective

- Finance Committee has expressed interest in continuing to have a robust conversation on rate principle refinement at OPPD.
- Objective will be to align on principles and priorities that will guide future rate design in the near-term and also the long-term, so that we are consistently working towards the long term goals for rates.
 - Understand and analyze the impact to items included on the next Biennial Rate Package to ensure rate design is supporting the long term Rate Principles.
 - Build a shared perspective on principles for SD-2 discussions.

Rate Design Principles

Proposal for Robust Process

- Proposing a two phase approach:
- Phase 1:
 - 9 Months in total
 - First 3 Months
 - Engage with a third-party to facilitate a comprehensive session with the board of directors to gain alignment on: Rate Setting Principles, Cost of Service Analysis (COSA), Retail Rate Design
 - Proposing to have a third-party facilitate three sequential full-day sessions conducted over three months to allow time in between to reflect, process, and ask questions.
 - Last 6 Months is for Customer Outreach and Rate Design Analysis
- Phase 2:
 - 2+ years
 - Multi-year outreach, rate design, piloting, and implementation

Phase 1

3 Month Rate Principles Determination

- **Session 1 Objectives:**

- What is the current status of electric utility rate setting and the ever changing energy environment
 - Customer choice
 - Electrification
 - Concerns about social equality/sustainability
- Customer Engagement results: What do our customers value
- Understanding of traditional rate setting principles
- Outline the principles for rate setting for OPPD. Prioritizing the factors to consider when setting rates so the technical work follows properly.
 - Cost causation
 - Social equity
 - Budget needs/debt service
 - Competition with other utilities

Phase 1

3 Month Rate Principles Determination

- Session 2 Objectives:

- Rate Setting 101 and the Cost of Service Analysis
 - Process and current state
- Define Generally Accepted Rate Setting Practice for OPPD
 - Overview of current rates
 - Comparison against neighboring utilities
 - How do OPPD principles match up to current rates
 - Critique of current rates given board priorities
 - Ways to address any deficiencies of current rates
 - Examples of rate designs and trends in rate design

Phase 1

3 Month Rate Principles Determination

- Session 3 Objectives:

- Understanding current shortcomings and talking through areas of concern
- What does success look like
- Refine principles and agree on the direction
 - Customer charge
 - Residential Structure
 - Time of use
 - New load/economic development
 - Sustainability
- Agree upon the transition and schedule
 - Items to be prioritized on 2023 Biennial Rate Package

Phase 1: Work Plan Summary*

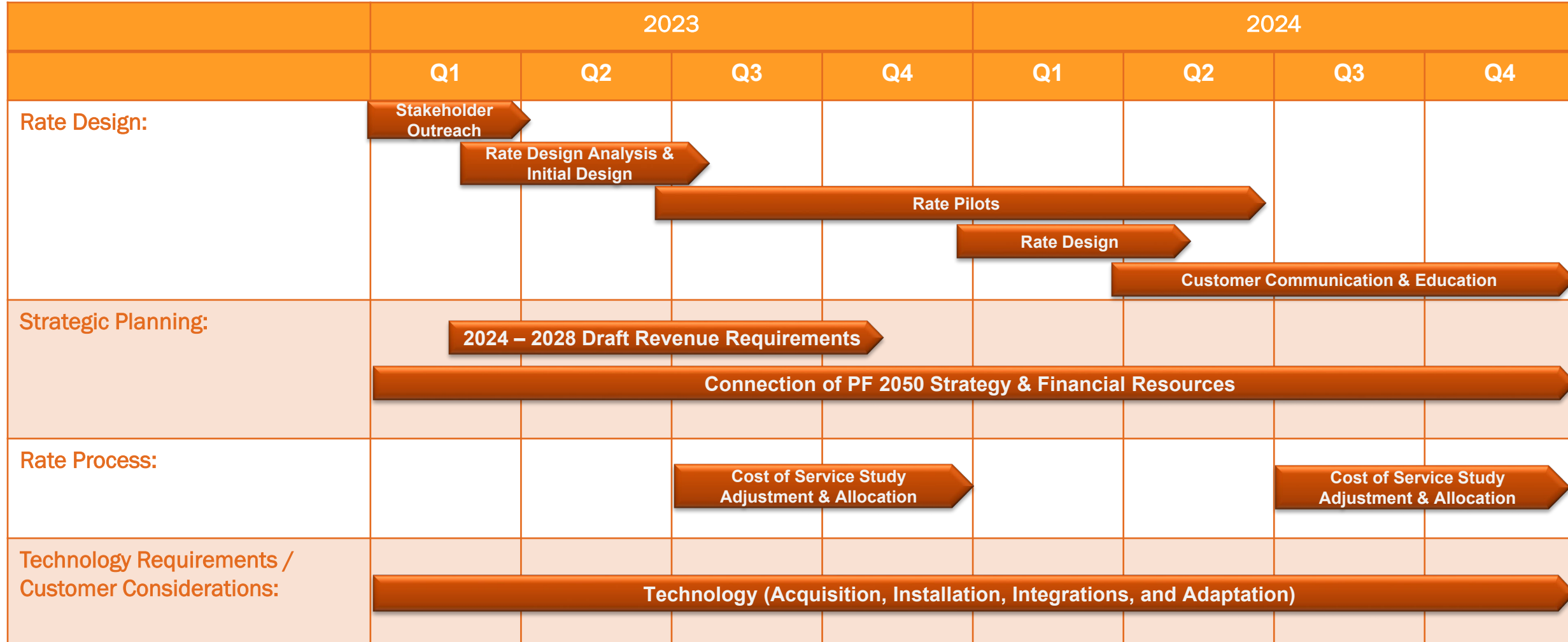
9 Month Commitment to Rate Principles

Year	Month	Work Focus
2022	April - June	Determination of Long Term Rate Principles – 3 Session Workshop
	July	Conduct initial stakeholder outreach
	August	Aggregate and study outreach results Finalize draft goals and objectives
	September	Identify options for advancing rate design objectives
	October	Complete initial report on long term rate design Refine rate design options
	November	Additional outreach Finalize rate design preferred approaches
	December	Assemble final report on long term rate design for Stakeholder Consumption

**Further details to follow if general plan is accepted.*

Phase 2: Multi-Year Execution*

Conceptual Tasks & Timelines to follow Robust Review Process



*Dates & Tasks are rough estimates intended to illustrate the conceptual multi-year effort.