

Retail Rate Setting Considerations

Revenue/Cash Flow Stability

- Establish sound budget practices
- Consider monthly cash flow
- Ensure adequate reserves
- Consider impact of revenue stream on bond ratings
- Align fixed retail rate components with fixed cost levels

Competitive Rates

- Develop strategy/policy for economic development customers
- Balance cost recovery with incentives to attract new business
- Set rates above marginal cost (contribution margin)

Customer Impact

- Use times of stable or declining wholesale costs to implement rate design changes
- Create appropriate price signals for load management
- Create appropriate price signals for economic development
- Create appropriate price signals for renewable development
- Manage customer expectations with good communications strategy
- Provide customers with choices when possible
- Use bill design and web based tools to show price components and usage patterns
- Phase-in rate design changes to reduce adverse bill impacts (within +/- 5%)

Rate Continuity

- Review multi-year financial projections to avoid surprises
- Allow for multi-year planning with capital investment strategy
- Smooth rate changes to avoid boomerang effect and drastic changes at any one time

Customer Impact

- Perform cost of service study (every 3-5 years)
- Set fair and reasonable rates between customer classes based on cost of service
- Charge all customers for service provided
- Minimize cross subsidization among customer rates and classes
- Address potential legal issues (i.e. Rate discrimination)
- Comply with legislation (i.e. Reps)

