



Levelized Billing Communications Paper

Board Decision

On July 21, 2016, the CVEA Board of Directors extensively reviewed the pros and cons of a levelized billing option during a work session with senior staff. After reviewing factual, financial data provided by staff, the Board unanimously voted against moving forward with this option, determining it is not in the best interest of the Cooperative as a whole.

Below are some key points that contributed to the final decision not to pursue levelized billing:

1. Very few other utilities use levelized billing – an indication that the process may have inherent difficulties or significant costs to implement.
2. Less than three percent of members are considered summer seasonal. To reduce winter rates using this option, these few members would contribute to the adjustments for many.
3. Of the seasonal members, 12 (out of 3800) would be significantly negatively affected and a majority are from the same rate class – Valdez Large Commercial.
4. Because the summer seasonal population is so small, the affect on the average year round member is also very small; virtually unnoticeable to an average member's monthly bill.
5. Members use power differently. Year round members that use more power in the summer would actually see an overall cost increase because of levelized billing.
6. CVEA's single industrial customer, rather than residential or small business customers, would reap the majority of the benefit provided by the seasonal businesses.
7. Due to several projections in rates, the program would require constant reviews and 'true ups'. This process would be labor intensive for the staff, would present audit challenges, and may cause members to pay money back if they were under-billed.
8. Levelized billing would also include levelizing heat credits and could, at times, require a payout of credits before they are earned, which is financially irresponsible for the Cooperative.
9. CVEA has a *Budget Billing* program available to members who want consistent year round billing.

Final Comment

There may be a misconception among members that levelized billing would bring great benefit to all year round members. In reality, the program would hurt a few seasonal customers for an insignificant benefit to the general population of year round members. At the same time, the staff's effort would be significant and budget management much more difficult due to constant fuel cost fluctuations. As a result, the Board of Directors voted to stay with our current billing process. If you have further questions on levelized billing, please contact Jaime Matthews at 907 822 8311 or matthews@cvea.org.