Copper Valley Electric
A Touchstone Energy® Cooperative

PUBLIC MEETING MARCH 20, 2023

2022 RATE STUDY & TARIFF CHANGES
AGENDA

Tariff requirements
Tariff changes
Rate study team
Goals/objectives of a rate study
Proposed changes
Impact of proposed changes to members
Questions/comments
## RATE STUDY TEAM

- Travis Million, CEO
- Jaime Matthews, CFO
- Wayne McKinzy, COO
- Sharon Scheidt, DOC
- Jason Strong, CFC Rate Consultant
- Kemppel, Huffman & Ellis – CVEA Counsel
DECISIONS ON TARIFF CHANGES SHALL BE BASED ON THE FOLLOWING STANDARDS:

- RECORD DEVELOPED THROUGH MEMBER COMMENTS OR PUBLIC HEARINGS
- FAIR AND NONDISCRIMINATORY TREATMENT OF ALL COOPERATIVE MEMBERS AND CUSTOMER CLASSES
- RATES SHALL BE SET TO ENSURE THE FINANCIAL VIABILITY OF THE COOPERATIVE
- STATEMENT BY GENERAL COUNSEL ON COMPLIANCE
PUBLIC HEARINGS

• THE PURPOSE IS TO PRESENT RESULTS, RECEIVE MEMBER COMMENTS AND ANSWER QUESTIONS PERTAINING TO THE PROPOSED CHANGES
  • COMMENTS WILL BE RECEIVED UNTIL MAY 8, 2023 AT 5PM

• THE CVEA BOARD OF DIRECTORS WILL CONSIDER COMMENTS WHEN A VOTE IS MADE

• THE CVEA BOARD OF DIRECTORS WILL ISSUE ITS DECISION WITHIN THIRTY (30) DAYS OF THE CLOSE OF THE PUBLIC HEARINGS OR ANY CONTINUANCE OF PUBLIC HEARINGS
  • MAY 18, 2023 BOARD MEETING
TARIFF CHANGES

• MINOR CHANGES
  • DEPOSITS
    • CLARIFIED LANGUAGE ON DEPOSIT REQUIREMENTS
    • REMOVED GUARANTEE INFORMATION
    • UPDATED LANGUAGE ON INTEREST RECEIVED TO MATCH HOW THE BILLING SYSTEM WORKS
  • LINE EXTENSIONS
    • ADDED CLARIFICATION ON LENGTH OF TIME COST ESTIMATES ARE VALID FOR
    • CHANGED PERMANENCY CRITERIA TO BE 12 MONTHS TO BE CONSISTENT WITH OTHER SECTIONS OF THE TARIFF
  • BILLING AND COLLECTIONS
    • CHANGED PAST DUE LANGUAGE TO BE CONSISTENT WITH THE BILLING SYSTEM
    • REMOVED BUDGET BILLING SECTION
  • NET METERING
    • REMOVED LIMITATION ON PARTICIPANTS
    • MODIFIED LANGUAGE ON WAITING SWITCH REQUIREMENTS
    • UPDATED INSURANCE LANGUAGE TO BE ANNUAL RATHER THAN SPECIFIC DATES
RATE STUDY STEPS

Revenue Requirements (How Much?)
- Suggests Operating Revenue & Patronage Capital to Meet Prudent
  (1) Operating Expenses; and (2) Financial Goals (Debt Service, Margins, Equity
  Levels, Plant Additions & Patronage Capital Retirement)

Cost of Service (From Whom?)
- A method to equitably allocate the revenue requirements of the utility among
  various service classes
  - Identifies Cost to Serve Each Rate Classification (Cost Causation)
  - Identifies Existing Subsidies (and Magnitude) Between Rate Classifications
  - Identifies Cost-Based (Unit-Based) Rate Structure

Rate Design (How?)
- Revenues to Collect from Each Rate Classification
- Cost of Service Guides Rate Design by Aligning Costs & Revenue Collection
- Cost of Service Provides Insights to More Precisely Apply Rate Increase/Rate Re-
  Design to Align with Rate Policy
GOALS OF THE RATE STUDY

- MEET LONG TERM FINANCIAL AND OPERATIONAL NEEDS
  - (CASH)
- UNDERSTAND RATE CLASS EQUITABILITY
  - (MOVING CHARGES CLOSER TO COST OF SERVICE)
- EVALUATE UNIFIED RATES
- SIMPLE, EASY TO EXPLAIN TO MEMBERSHIP
This is the portion of the bill CVEA is proposing to adjust:

- G&T Charge: 25%
- Fuel Charge Less Heat Revenue Credit: 33%
- Customer Charge & Energy Charge: 42%
CVEA RATE STUDY HISTORY

(CUSTOMER & ENERGY CHARGE)

- RATE STUDY HISTORY
  - 1997
  - 2011
  - 2018
  - 2022

- WHY CVEA IS UPDATING THE RATE STUDY
  - AGING INFRASTRUCTURE
  - LONG TERM PLANNING
  - GROWTH/LOSS WITHIN CUSTOMER CLASSES
RESULTS OF THE COST OF SERVICE STUDY

$190,000 REVENUE SHORTFALL

COS LOW FOR RESIDENTIAL AND SMALL COMMERCIAL

FUTURE COST CONSIDERATIONS
SUSTAINABILITY

- SUSTAINING THE COOPERATIVE FINANCIALLY WHILE MAINTAINING AN AGING INFRASTRUCTURE IS THE PRIMARY REASON FOR ADJUSTING RATES
FUTURE COSTS: CAPITAL WORK PLAN

• DOLLARS TO MAINTAIN CVEA’S AGING INFRASTRUCTURE
  • ESTIMATED 6 MILLION PER YEAR

• WILL HIGHLIGHT MAJOR IMPACTS
  • RELOCATION OF SOLOMON SUBSTATION
  • DUCK FLATS AND DAYVILLE DISTRIBUTION REBUILDS
  • COGEN OVERHAUL
  • MATERIAL COSTS
RELOCATE SOLOMON GULCH SUBSTATION
$5 MILLION
DUCK FLATS AND DAYVILLE DISTRIBUTION REBUILDS - $1.9 MILLION
COGENERATION PLANT OVERHAUL
$1.5 MILLION
MATERIAL PURCHASES
$1.1 MILLION
UNIFIED RATES

• SUPPORTS THE COOPERATIVE MODEL
  • OTHER UTILITY EXAMPLES
  • CVEA DOES NOT CHARGE DIFFERENT CONSTRUCTION RATES

• TRANSITION OVER A 5 YEAR PERIOD WITH A RATE STUDY TO BE CONDUCTED AROUND YEAR 4
  • NON- DISTRICT RATES
  • ALL RESIDENTIAL AND SMALL COMMERCIAL MEMBERS WILL BE TRANSITIONED TO 11¢ PER KWH
WHAT IS PROPOSED? RESIDENTIAL

Rate per kWh

Average member impact = $5-$10 / month depending on district and usage in year 1

Note average usage: 370 kWh month Copper Basin, 493 kWh month Valdez
WHAT IS PROPOSED? SMALL COMMERCIAL

Rate per kWh

Average member impact = $9-$21 / month depending on district and usage in year 1

Note average usage: 1,355 kWh month Copper Basin, 1,851 kWh month Valdez
INDIVIDUAL IMPACT

• WHAT DOES THIS ALL MEAN TO YOUR ACCOUNT?
  • EACH MEMBER IS DIFFERENT DUE TO YOUR USAGE
  • CONTACT CUSTOMER SERVICE AT CUSTOMERSERVICE@CVEA.ORG AND YOUR INDIVIDUAL ANALYSIS CAN BE PROCESSED
## Rate Study Draft Changes

**Member:**

*Usage from January 2022-December 2022*

Testing 1 year of the impact (rates would be implemented in June)

**Rate Class: Copper Basin Residential**

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<th>Bill Before Changes</th>
<th>Bill After Changes</th>
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5,941 | $2,092.85 | $2,181.97 | $ 89.12 |

Note: Same COP & G&T rates based on 2023 budget
IMPORTANT DATES

• ACCEPT MEMBER COMMENTS THROUGH 5PM ON MONDAY, MAY 8

• BOARD WILL VOTE ON MAY 18

• IF ADOPTED BY THE CVEA BOARD OF DIRECTORS, CHANGES WILL BE EFFECTIVE WITH THE JUNE 20, 2023 BILLING
QUESTIONS/COMMENTS?

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