

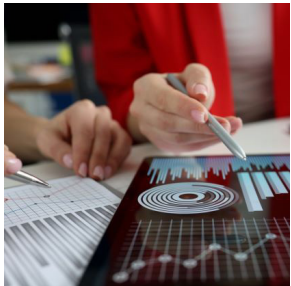


**Course length:** 1 hour 45 minutes  
**Subscription:** 2 months - 12 months  
**Cost:** \$295

**Prerequisites:** None, although general knowledge about the electricity industry and system is useful

## An overview of ratemaking for co-ops

This course covers the principles behind ratemaking for co-ops including key concepts, determination of revenues that must be collected to ensure financial stability, methods for allocating revenues between customer classes, design of rate structures to fulfill the co-ops rate principles, calculation and implementation of new rates, and evolution of ratemaking with changes in the electricity industry.



## WHO WILL BENEFIT FROM THIS COURSE?

- All employees of a co-op who do not have a full understanding of the rate process and its importance in maintaining a solid financial position
- Experienced professionals from other industries moving into positions at a co-op
- Experienced co-op employees from departments such as operations, engineering, information technology, and customer services who have not been exposed to ratemaking
- New co-op board members
- Professionals in finance, legal, and public relations who provide services to co-ops
- Recent hires at a co-op
- Professionals from other energy industry sectors who need to understand how co-ops are unique

## WHAT PARTICIPANTS WILL LEARN

- Analyze how ratemaking impacts co-ops and their consumer-members
- Apply the foundational principles that drive ratemaking to explain why co-ops sets rates the way they do
- List the steps involved in setting rates
- Identify the components of the revenue requirement
- Determine how the various cost factors and margin requirements contribute to the overall revenue requirement
- Describe methodologies used to determine cost causation and revenue allocation, and interpret how they impact rate levels for each consumer-member class
- Analyze rate design methods and how they affect revenue recovery and impact consumer-members
- Calculate rates given specific inputs and determine the impact of rate changes on specific consumer-members
- Identify tools for implementation of rate changes including communicating changes and assisting consumer-members with managing impacts
- Evaluate how rate making may evolve as the electric industry changes

## COURSE AGENDA

### Introduction to Ratemaking

- What ratemaking is and what it does
- Why ratemaking is fundamental to a co-op's financial stability and customer-member satisfaction
- Who regulates rates for co-ops
- Principles behind setting rates
- The concept of cost-of-service ratemaking
- How rates relate to a co-op's financial objectives
- Non-financial considerations for rates
- The ratemaking process
- When and how new rates are initiated
- How proposed rates are analyzed.
- Timing for developing and implementing new rates

### Determining the Revenue Requirement

- What the revenue requirement is
- How actual revenues relate to the revenue requirement
- Steps in determining the revenue requirement
- The project team
- Selecting a test year
- Collecting data
- Determining appropriate adjustments to test year data
- The margin requirement and achieving financial goals
- Calculating the revenue requirement
- Reviewing a proposed revenue requirement

### Allocating the Revenue Requirement

- What revenue allocation is
- The cost-of-service study
- Steps in the cost-of-service process
- Defining customer classes
- The cost allocation process
- Functionalizing costs





- Classifying costs
- Determining an appropriate margin
- Developing allocation factors
- Implementing revenue allocation to determine each class's revenue

### **Determining Rate Design**

- What rate design is
- The steps in the rate design process
- Balancing the various rate principles
- Determining cost causation
- Determining customer classes
- Technology impacts on ratemaking
- Determining charge types and structures for each customer class
- Determining other charges and fees
- Determining payments for DER services
- Allocating revenue to each charge type

### **Calculating and Implementing Rates**

- The steps in the rate calculation process
- Determining rate impacts
- Setting a rate implementation plan
- Communicating rate changes
- Helping consumer-members manage rate impacts
- Monitoring newly implemented rates

### **Evolution of Ratemaking**

- Ongoing monitoring of rates
- The electric industry evolution
- Potential new co-op services
- How industry evolution impacts co-ops rate practices
- Rate design innovations
- Adapting to continual change

