



Rate Design Project Update Finance Committee

September 11, 2024



Rate Design Project

- Phase 1 of the Rate Design Project was delivered in August 2023 and established the rate design principles that are guiding Phase 2.
- The Brattle Group, the District's rate consultant since 2017, is engaged to support several tasks that make up Phase 2.
- By 2028, Phase 2 will design and pilot new AMI-enabled rate structures for the Board to consider for roll out to all customers.
- A key first step in Phase 2 is ensuring a smooth transition from current rates to future offering and the timing of such modifications.

Brattle – Scope of Work

1. Assessment of OPPD’s Existing Rate Designs (**Complete – Focus of Today’s Discussion**)

- I. Will provide recommendation by rate class. This will not only address specifically rates that are inconsistent with our rate principles, such as the declining non-summer blocks, but also address concerns such as eligibility requirements for specific rates and class specific objectives.
- II. Prioritization for implanting these recommendations prior to AMI will be provided.

2. Assist with Avoided Cost Study Methodology (In progress: estimated completion calendar year 2025)

- I. Will provide a new evaluation for the avoidance of energy and capacity costs to inform rates and product offerings.
- II. Utilized to provide Net Metering, Cogeneration, and other DR/DER customer offerings.

3. Development of New Rate Design Proposals (Pending commencement: Q4 2024 through Q1 2025)

- I. In addition to the consideration of concepts proposed in the Rate Design Project, the Brattle Group will provide a wholistic recommendation of new rate considerations and the basis for the recommendations with accompanying timeline around deployments.
 - i. Will include considerations for all-electric, EVs, risk mitigation for large load growth, and renewable and DER technology.

4. Assist with the Design of Alternative Rates to be tested in the Pilot (2025+)

- I. Design will include definition of peak and off-peak periods with accompanying duration and number of periods, seasonal distinctions for rate offerings, seasonal variations, weekend versus weekday variations, etc.
- II. After determining a design to evaluate, Brattle will estimate the expected peak demand reduction utilizing its international database of alternative rate pilots and full-scale deployments.

Assessment of OPPD's Existing Rate Designs

- Brattle's assessment was conducted by blending the rate principles established by the board with industry best practice.
- OPPD rate principles
 - Fair, reasonable and non-discriminatory
 - Rate stability and gradualism
 - Systemic review of affordability
 - Simple and easy to understand; transparency
 - Customer choice and flexibility
- The Brattle recommendation
 - Impacts most existing rates and riders
 - Implementation timeline spans 2024-2028

Brattle Recommendation

- The Brattle recommendations are consistent with continuous improvements and do not involve wholesale changes.
- Wholesale changes will come in the *Development of New Rate Design Proposals* task to be initiated in Q4 of this year in alignment with timeline of the project.
- Recommendations include both items that OPPD should implement and should consider implementing.
- There are main themes that crossed several different rates and riders:

	Implement	Consider	Timeline	Rates/Riders
Declining Blocks / Energy Management Credit	X		2025	Res/Com
Rate / Product Treatment	X		2025	Riders
Retirement	X		2025	Riders
Avoided Cost	X		2025-26	Riders
Evaluate Eligibility/Service Charge	X		2026-27	Res/Com/Ind
Billing Demand Definition & Seasonality		X	2027-28	Com/Ind

Near-Term Priorities (2024 – 2025)

Priority Level	Rate/Rider	Notes
Near-term (2025)	Standard Residential Service (110)	We recommend prioritizing the flattening of all declining block rate structures. The energy rates can continue to move towards COSS results.
	Residential Conservation Service (115)	
	General Service Non-Demand (230) General Service Small Demand (231)	
	Redefine Curtailment Riders (467E&V; 467L; 467&467H) Surge Guard (480&481) as Product Offering	Remove from service regulations and provide as product offering.
	Retirements (Rider 490 and 499)	Retire unutilized rates.
	Time Varying Rate (TVR) Pilot Design	Prioritize the design of a TVR pilot in 2025 once AMI reaches reasonable penetration. If pilots can be implemented in the medium term (2026 – 2027), will provide OPPD with great insight for potential full-scale deployment once AMI is complete post 2028. Pilots should target multiple classes if OPPD wishes to consider default TVRs in the long term.

Medium-Term Priorities (2026 – 2027)

Priority Level	Rate/Rider	Notes
Mid-term (2026-2027)	Standard Residential Service (110) Residential Conservation Service (115) General Service Non-Demand (230) General Service Small Demand (231)	Evaluate service charge to determine a more appropriate reflection of cost causation before AMI-enable structures are available. Evaluate eligibility.
	General Service Large Demand (232)	Refining the eligibility criteria. Simplify the billing demand definition and align energy/demand charges more closely with underlying costs.
	Irrigation Service (226)	Eliminate the distinction between single and three-phase rate to one single rate. Refresh the rate so that energy and HP charges are more aligned with costs and introduce seasonal differentiation.
	Standby Service (464)	We recommend creating a new class that would represent customers with sizeable backup generation, make it the default rate for these customers and revamping the rider to create a standalone rate that is much simpler than the current form.
	Large Power (250)	Simplify the billing demand definition and align energy/demand charges more closely with underlying costs. Consolidate Rate 245 and Rate 250.
	Net Metering Service (483) Cogeneration Facility Credits (Rider 355)	OPPD should update credits for excess generation based on avoided cost modeling efforts. Depending on the state of time varying rates, NEM can be updated to credit based on the time of day when excess generation take place.
	Large Power – High Voltage Transmission Level (261M)	Retain the rate but refresh it to introduce seasonal differentiation and simplify the billing demand definition.
	Supplemental Distribution Capacity (484)	Consider seasonal differentiation in distribution capacity demand charge.

Near Term Actions

December 2024– Effective January 1, 2025

- Redefine Curtailable Rider 467 and Surge Guard Rider 483 as products
 - Consistent with industry best practice
 - Offer increased flexibility to meet unique characteristics associated with individual customers
- Retirement of Economic Development Rider 490 and Green Sponsorship Rider 499
 - Not in use and no longer applicable

May 2025 – Effective October 1, 2025

- Eliminate declining blocks and Energy Management Credit (EMC)
 - First step in rate modernization efforts
 - Not aligned with cost causation
 - Necessary action prior to AMI / time-based rates
 - Declining blocks impact residential and commercial customers; EMC is residential only.

Questions?