Risk Management Report, October 2018

The risk management committee currently is focused on three major efforts: educating the committee and board on rate design strategies, practices and developments that may address changing requirements for electric energy suppliers and their customers; raising our understanding of how to provide members conservation tools and information to manage their energy use efficiently; assessing the strategic risks and benefits of policies like the 400 generation series; and starting to bring in resources for looking at equity management in preparation for next year’s strategic planning evaluation of equity management approaches.

Rate Design. The risk management meeting for October was the October 9 presentation Gail Tabone, Senior Associate at EES Consulting, gave to outline the Cost of Services Analysis (COSA) process BEC plans for 2019. We asked her to look at the context surrounding the COSA and some ground-level discussion of rate design analysis and what is happening in the industry relative to rate structure. Is the billing model changing from the traditional co-op billing for energy use, “base” expenses to cover some portion of the cost to operate the distribution system, and demand charges for some classes of customers? If change is happening, why and how widespread are the changes? How do we calculate financial and other impacts of changes accurately in a changing environment?

Tabone noted that the COSA analysis of existing customer classes and their payments to cover their shares of co-op revenue requirements does not necessarily fully address rate design analysis that looks at alternatives for how to establish classes and rate structures to best accomplish strategic goals.

EES Consulting President Gary Saleba will call into a risk management meeting on November 19 at 2:00 to further discuss rate design and related issues with the committee, board, staff, and members who elect to attend. We are forwarding Saleba comments stimulated by the Tabone presentation and he will be available for whatever time it takes to address issues and questions. His experience with companies throughout the industry provides insight about examples of change that has gone well, emerging concerns, creative response to the need for rate design change, strategic issues, best practices, information sources, etc.

Generation Policies. Committee members provided feedback during the development of the current policy 416, 417, 418 and 419 updates that will be presented at the October 30 meeting. Concerns about stringent liability and potential bonding requirements have been addressed for members and remain for non-member wheeling entities. The committee appreciated working with the policy committee.

Next Meeting. At the November 19 risk management meeting we will have an initial list of resources for equity management information and additional information on rate design.