A COSA study has been done and it has been determined that the rates Beartooth Electric Cooperative, Inc. (BEC) charges meet the revenue requirements of the Cooperative. The Study states, “When looking at the revenue to cost ratios it is important to reflect the uncertainty inherent in any COSA due to methodology approaches and uncertainty in the load data used to allocate costs. For that reason, a range of 90 percent to 110 percent is typically used to measure whether customer classes are paying an appropriate share of costs.

Based on the results under the minimum system methodology, all classes are in the 90-110 percent range and do not need an increase or decrease. In the 100 percent demand case, all classes except Irrigation are in the 90-110 percent range.”

To translate, Kevin Owens, BEC Manager said, “The Cost of Service Study (COSA) has been completed and accepted by the Board. In short, this tells us that we are collecting the right amount of revenue from each of our customer classes; i.e. we have acceptable parity among the classes of customers (residential, commercial, irrigation, etc.).

The Risk Management Committee is just starting on the discussion regarding the design of our rates. There will be lots of discussion and evaluation of different options. Now the goal is to insure that everyone is paying their fair share for service delivery within a rate class.’’

Owens adds, “COSA and Rate Design are two totally separate tasks.”

According to the study, “For the Irrigation class, the COSA shows that they are still underpaying their cost of service in the 100 percent Demand case but are above 90 percent in the Minimum System case. This is not an unexpected result due to the nature of the service. On the power supply side, the costs of purchased power do not differ based on season and so there is no benefit to Irrigators related to their summer usage. Power costs may have been more seasonal in the past, but BEC has changed its power supply source and rates are flat across all hours. Because they do not peak at the time of the annual peak for BEC they are not allocated any of the transmission-related costs, however, these costs are small for BEC.

The issue is with the distribution costs. Distribution facilities are designed based on the maximum peak load that the customer might have throughout the year. For this reason, the distribution costs are allocated on the basis of the non-coincident peak. The Irrigators receive a full allocation based on their annual peak loads that occur in the summer months. Unlike other classes, these distribution costs must be spread out over a six month period rather than the full 12-month period used by other types of customers.

If the Board determines that is appropriate to increase Irrigation rates, it may be difficult to determine who would get a corresponding rate decrease. Under the 100 percent demand approach, it would go to the residential and small commercial class. Under the minimum system study, it would go to the large commercial and industrial classes. However, given the small amount of revenues associated with the Irrigation class, any offset to the other rates would be small.”

According to the study it is stated, “Given the discussion among Board members and staff, the rate design step will be much more interactive and take more time than the COSA itself. In that step, we will identify several options for each class and compare them in terms of design, revenue impacts and bill impacts for customers.”

The per unit costs from the COSA, BEC analysis of costs by category, and rate designs for other utilities will all play a role in rate design.

The determination of rate design options is ongoing and a final proposal has not yet been reached.