

## Electric Cooperative Rate Designs Continue to Evolve

### Key Findings

- The historic two-part rate structure, with a low fixed charge and a volumetric charge, leads to cross subsidies as new technologies enter the utility system.
- Electric cooperative advanced metering infrastructure (AMI) technology allows rate designs that better reflect actual costs and the value to the grid while allowing new programs and services to meet evolving member needs.

### Doing More with Less

Cooperatives provide reliable, affordable, safe and innovative electric service options to their consumer-members while managing significantly less density and revenue compared to other utilities.

Lack of density means that the fixed cost per member is higher for co-ops than other utilities. Cooperatives continue to identify opportunities to transparently and equitably recover fixed costs in a way that works for the communities they serve.

### Cooperative Rate Principles

Cooperatives balance the science of rate making with the art of tailoring rates to the specific consumer base and system needs. Some principles that electric cooperatives consider as they do this include:

- Fair and non-discriminatory
- Minimize volatility impact
- Send proper pricing signals
- Understandable and transparent
- Encourage efficient and responsible usage
- Manage evolving consumer expectations
- Allow for the integration of new technologies
- Tailored to local conditions
- Cross-subsidies minimized

To best mitigate risks and advance opportunities for their consumer-members, cooperatives need to have the freedom to develop new rate designs and compensation mechanisms.

### Principles in Practice

**Lake Country Power's** (MN) service territory is predominately seasonal with many vacation homes used only a few months a year. The fixed costs to provide service wasn't being adequately collected with rates that relied heavily on volumetric sales. The co-op worked with their membership to identify possible solutions before deciding upon and implementing a fixed delivery charge based on a cost of service study.

**Bandera Electric Cooperative (TX)** implemented time of use (TOU) rates to improve transparency by reflecting the dynamic nature of the Texas wholesale market. The TOU rate varies by time of day (3 distinct time windows) and season (summer and non-summer). The co-op spent over a year working with their members on the need for the rate change.

**Mid-Carolina Electric Cooperative (SC)** implemented a demand charge to reduce unfair cost shifts and equitably recover infrastructure costs. The revenue neutral charge was carefully designed to reflect the actual wholesale demand costs to the co-op while reflecting the diversity of usage within the membership. The charge was implemented after extensive member outreach and engagement.

**Contacts:**

Stephanie Crawford, Senior Regulatory Manager, NRECA at 703.907.5732 or [stephanie.crawford@nreca.coop](mailto:stephanie.crawford@nreca.coop)  
Allison Hamilton, Senior Principal, Markets and Rates, NRECA at 703-907-5824 or [Allison.hamilton@nreca.coop](mailto:Allison.hamilton@nreca.coop)