
Tariff Development III

Developing a Rate Design

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Introduction

- What Does Rate Design Mean?
- How Does it Fit in the Ratemaking Process?
 - *Rate Cases*
 - *Tariff Filings*

Service Classifications

- Firm
 - *Residential*
 - *Commercial*
 - *Industrial*
 - *Other*
- Time-of-Use (TOU) – Voluntary/Mandatory
- Real Time (Hourly) Pricing
- Flex Rates
- Interruptible

Service Classifications *(cont'd)*

- Seasonal
- Standby - Supplemental, back-up, maintenance
- Delivery
- Transportation
- Buyback
- Economic Development Zone Rates
- Area Development Rates
- Business Incentive Rates

Cost Bases

- ECOS – embedded cost of service
- MCOS - marginal cost of service
- Other Bases – usually derived from ECOS and MCOS

Rate Structure Features

- Unit Charges
- Flat vs. Blocked
- Declining vs. Inverted
- Demand vs. Energy
- Customer, Service & Minimum Charges
- Reactive Demand Charges
- Base Cost of Fuel
- Ratchets
- Hours' Use

Principal Goals

- Meet Revenue Requirement
- Equity
- Economic Efficiency
- Customer Impact
- Customer Acceptance
- Rate Stability
- Revenue Stability

Principal Goals *(cont'd)*

- Feasibility of Administration
- Understandability
- Economic Impact
- Social Concerns
- Other Considerations
 - *Rate Blending*
 - *Load Research Findings*

Special Issues

- Competitive Opportunities/Bypass (COB) Proceeding
- Individual Negotiated Contract Rates
- Lifeline/Low Income
- Economic Development
- Elasticity of Demand and Energy