

POLK-BURNETT ELECTRIC COOPERATIVE

Policy: **BD- 30: Energy Rate Design Guidelines**

Purpose: To set forth policy relating to the development and implementation of electric rates that matches the strategic objectives of Polk-Burnett Electric Cooperative (Polk-Burnett).

Policy:

A. Commitment to Rate Design

It is the policy of the board of directors of Polk-Burnett to develop electric rates that allow Polk-Burnett to provide electricity that is reliable, cost based, considerate of the environment and maintains the Polk-Burnett's financial strength at Polk-Burnett's lowest cost.

B. Basic Fundamentals

i. Polk-Burnett will prepare revenue requirements and cost-of-service studies every five years (at a minimum), with applicable updates in the interim as required to have information needed to develop rates.

ii. Rates will be developed and implemented that:

- a. Allocate cost across rate classes in an equitable manner.
- b. Minimize subsidies between classes (with the goal being less than 5%).
- c. Phase out subsidies within a class.
- d. Set Facility Charge to be within 85% of cooperative costs as established in cost of service study by 2020.
- e. Generate margins adequate to meet annual lender requirements and long-term financial objectives as per Polk-Burnett's equity management plan.
- f. Coordinate local distribution rates with the rates of Polk-Burnett's power supplier. The rate shall be increased or decreased per kWh by any Power Cost Adjustment (PCA) or Rate Surcharge on the current month wholesale power bill multiplied by a factor for line losses.

C. Environmental Commitment

- i. Develop and implement rates that encourage energy efficiency
- ii. Promote the use of renewable resources

D. Technology

- i. Invest in technologies that:
 - a. Allow Polk-Burnett to properly signal the member as to the current price of energy
 - b. Enhance member service and reliability

E. Monitoring

Management should be held accountable for implementing rates as approved by the board of directors and routinely report to the board as to the need to adjust rates to account for changes in cost or strategic initiatives.

Edward O. Gullickson, President
July 28, 2014