



Okanogan County Electric Board Approves Rate Design Changes for 2025-2028

Okanogan County Electric Cooperative, Inc. (OCEC) began a process to study and analyze our current rates and rate design in June of 2023 in partnership with the National Rural Utilities Cooperative Finance Corporation (CFC). This process resulted in a final Cost of Service Analysis (COSA) presented by CFC in February of 2024 to the OCEC Board. The OCEC Board reviewed the COSA and decided on three priorities for future rate design implementation to further analyze:

1. Correct subsidies between existing rate classes identified by CFC
2. Implement a revenue-neutral monthly peak demand (in kW) rate for General Service 1 (G1) and General Service 2 (G2) rate classes
3. Implement an annual peak demand (in kW) threshold in addition to annual energy thresholds for placing members into G1-G4 rate classes

During the October 2024 board meeting the OCEC Board approved the proposed rate design changes from staff and a corresponding implementation schedule summarized below:

	2025	2026	2027	2028	2029
Priority #1 – Correct Rate Class Subsidies	Implement adjustments for G1/G2, Irrigation year 1 of 4, Idle Base Charge Increase	Irrigation year 2 of 4	Irrigation year 3 of 4	Irrigation year 4 of 4	No Action
Priority #2 – Demand Rate on G1/G2	Get peak kW on all member bills	Implement board approved changes for year 1 of 3	Implement board approved changes for year 2 of 3	Implement board approved changes for year 3 of 3	No Action
Priority #3 – Peak kW Classification	Establish new classifications based on new data	Implement board approved changes, reclassify members	No Action	No Action	No Action

Please see Appendix A for a detailed table of the proposed rates and annual peak demand (in kW) classifications



Priority #1 – Correct Subsidies Between Existing Rate Classes

What do you mean by “subsidies” between rate classes?

OCEC’s rate classes are grouped together during a Cost of Service Analysis (COSA). A COSA compares the cost of service for an OCEC rate class to the revenues collected from that rate class. For each rate class there can be a separation that develops between the cost to provide services and the revenues collected from those services. A “subsidy” can occur when one or more rate classes are paying more than the cost and one or more rate classes are paying less than the cost of those services.

What rate changes are being made based on the COSA study?

The COSA study identified the following rate classes as being out of alignment with the cost of service:

- Rate Classes Paying Less Than Cost of Service
 - General Service 1 (G1)
 - Irrigation Single Phase
 - Irrigation Three Phase
 - Idle Service
- Rate Classes Paying More Than Cost of Service
 - General Service 2 (G2)

The OCEC Board approved the following rate changes:

- January 1, 2025
 - General Service 1 (G1) – Increase energy rate by \$0.0030/kWh (3.26% increase)
 - General Service 2 (G2) – Decrease energy rate by \$0.0030/kWh for tier 1 (4.55% decrease) and tier 2 (3.49% decrease)
 - Irrigation Single Phase – Increase energy rate by \$0.0050/kWh (8.90% increase)
 - Irrigation Three Phase – Increase energy rate by \$0.0050/kWh (8.90% increase)
 - Idle Service – Increase base charge by \$16.80/mo (86% increase)
- January 1, 2026
 - Irrigation Single Phase – Increase energy rate by \$0.0050/kWh (8.17% increase)
 - Irrigation Three Phase – Increase energy rate by \$0.0050/kWh (8.17% increase)
- January 1, 2027
 - Irrigation Single Phase – Increase energy rate by \$0.0050/kWh (7.55% increase)
 - Irrigation Three Phase – Increase energy rate by \$0.0050/kWh (7.55% increase)
- January 1, 2028
 - Irrigation Single Phase – Increase energy rate by \$0.0050/kWh (7.02% increase)
 - Irrigation Three Phase – Increase energy rate by \$0.0050/kWh (7.02% increase)

Will OCEC get more revenue because of these changes to rate design?

No, we have modeled these rate design changes to be revenue-neutral meaning OCEC should not receive more revenues from our membership compared to status quo. OCEC will announce rate increases, if necessary to collect more revenues, separately from these changes to rate design.



Priority #2 – Implement a Revenue-Neutral Demand Rate for G1 and G2 Rate Classes

What is Demand?

Demand is a measurement of the maximum amount of power required during any fifteen-minute interval within a billing period, measured in kilowatts (kW). Simply put, energy is the amount of power you consume, while demand measures your impact on our electric distribution system to deliver that power. The more appliances you run at the same time, the more your demand for power increases.

Why did OCEC decide to add a demand charge to G1 and G2 rate classes?

The demand charge is not a new charge. It has always been embedded in the energy rates. OCEC is now separating out the demand charge from the energy charge. This will allow OCEC to assign costs that are directly related to demand, and not based on total energy consumption. These are the costs related to maintaining the distribution system.

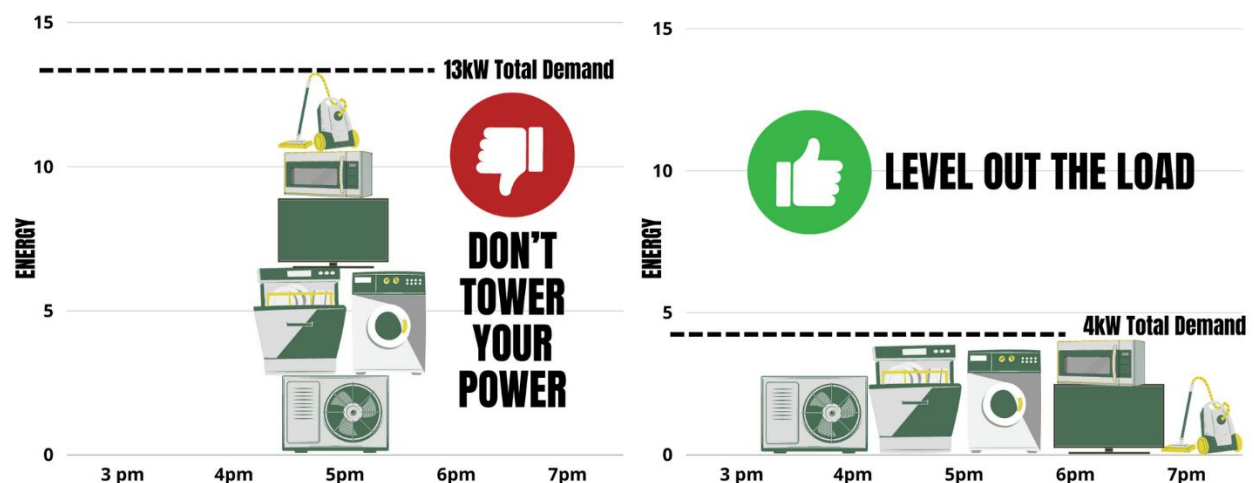
Members will still see an energy charge that is based on the total amount of energy they consume during a billing period. However, the energy charge will be reduced once the demand charge is separated out.

The new unbundled rate structure with separate demand and energy charges will allow Members to see exactly how much they pay for the energy they actually consume (the energy costs from PNGC Power, our wholesale power provider), and how much they pay toward the costs that OCEC incurs to deliver and distribute that energy to them.

What is the demand charge?

The demand charge is a variable charge that covers the costs of maintaining the distribution system, including poles, wires, substations, trucks, and line crews. It is based on the energy demand during a billing period, and is calculated by taking the highest demand recorded in a billing period (in kW) and multiplying it by a demand rate.

The more high-energy appliances a member uses at the same time within a fifteen-minute period, the higher the demand.





Why does OCEC charge for demand?

The demand charge enables OCEC to recover the costs of maintaining the distribution system.

A Member who uses a high demand requires more services from OCEC, including additional capacity, which means a higher expense for lines, transformers, substation equipment, etc. OCEC uses the demand reading to determine the maximum energy (or maximum capacity) required by our Members.

This information is used to develop a system that is able to meet the Member's highest peak demand. Members may not be using the OCEC system at maximum capacity all the time. However, OCEC is still required to maintain the system so that it is ready to provide service to Members at maximum capacity, at any time of the day.

How does OCEC determine the demand rate?

Generally, every two to three years, OCEC performs a Cost of Service Analysis (COSA) which calculates the total revenues required by OCEC to meet its planned expenses. The COSA also calculates the cost to serve each rate class to determine how much revenue each class should contribute to the total. The COSA recommends to the OCEC Board of Directors what the demand rate should be. Through the rate review process, the Board then sets the rates for our Members.

Is this another rate increase?

This is not a rate increase. This change is designed to be revenue-neutral. OCEC will not receive additional revenues from this change.

Is the demand charge an added charge on top of the existing energy charge?

The demand charge is unbundled from the energy charge. When we do this, the energy charge will also be reduced to compensate for the change.

When will the demand charge begin?

OCEC has charged demand to Members in the G3 and G4 rate classes since our last rate design change over ten years ago.

Starting in 2025, prior to demand charge implementation, G1 and G2 Members' bill will include a line item showing peak demand for the month but with a zero charge for demand. Members will have the ability to view their monthly peak demand and modify their usage, if they so choose, before the charge is implemented. This will allow them to see how modifying their usage might impact their demand and the demand charge.

Beginning in 2026 OCEC plans to charge demand to G1 and G2 rate classes with the following amount and schedule:

- January 1, 2026 - \$0.25/kW demand rate
- January 1, 2027 - \$1.00/kW demand rate
- January 1, 2028 - \$2.50/kW demand rate



Each demand rate increase will be accompanied by an energy rate decrease. Please see the table following this FAQ for a full listing of the proposed base, energy, and demand rates for G1 and G2 rate classes through 2028.

Why does OCEC need to change the rate structure?

With the current rate structure, Members who use more energy generally pay disproportionately more for the demand charge than Members who consume less energy. This is because the demand charge is embedded into the energy rates. Therefore, when their energy consumption increases, the demand charge automatically increases, whether or not the Member has a high demand usage.

On the other hand, Members who have lower energy consumption generally pay less for the demand charge because it is built into the energy rates, even if their demand use is high. In effect, they are paying less than their fair share for using the OCEC system.

The new rate structure is designed to be more transparent and equitable. The goal is to ensure that all Members are paying their fair share of using the OCEC system, and that OCEC has a way to assign costs that are directly related to demand use, and not based exclusively on total energy consumption.

Will my bill increase?

The impact of separating out the demand charge from the energy charge will vary from Member to Member. Some Members will see no changes, some will see an increase in their bill, while others will see a decrease. This will all depend on their demand and energy consumption, or in other words, how much energy they use each month and their usage habits will affect their bill amount. The impact can also fluctuate from month to month based on these factors.

OCEC is working with our partner to update our Rate Calculator located on the Rates page of our website. The new calculator will allow Members to view recent months to compare current bills to the future rate design through 2028. We will be communicating with the Members when this update to the calculator is available.

What can I do to help lower my demand charge?

The demand charge is calculated based on the average peak demand usage during any fifteen-minute interval within a billing period. Spreading out activities that require a lot of energy throughout the day instead of doing them all at once will help reduce your average peak demand, which will lower your demand charge on your electric bill. The goal is to level out your load. For example:

- Operate your electric stove, oven, washing machine, clothes dryer, dishwasher, car charger and other large appliances at different time intervals throughout the day, and not all at once. You could start your washer or dryer after cooking, and try not to run your washer and dryer at the same time.
- Turn off non-essential lights and appliances when not in-use.
- When possible, adjust your thermostat to reduce heating and cooling.



Will my bill display the date and time of my demand reading?

Yes. We are working with our billing software provider to add the date and time of the demand reading to the bills as soon as possible.

Why am I being charged an energy charge, base charge, and a demand charge on my electric bill?

Each charge on the electric bill covers different costs associated with providing electrical service to the Membership.

- Energy charge – A variable charge to cover the cost of energy used in the billing period, measured in kilowatt hours (kWh). It is intended to cover the costs of purchasing power from our wholesale power and transmission provider.
- Base charge – A flat fee to cover the fixed costs of operating the utility. Examples include the office building, billing and metering systems and equipment, office personnel, taxes, and debt service.
- Demand charge – A variable charge based on the highest rate of electric use during the billing period, measured in kilowatts (kW). It covers the costs of maintaining the distribution system, including poles, wires, substations, trucks, and line crews.



Priority #3 - Implement an annual peak demand (in kW) threshold in addition to annual energy thresholds for placing members into G1-G4 rate classes

How does OCEC currently place Members in the different General Service rate classes?

OCEC has four General Service rate classes that Members are placed in based on annual energy usage over the previous year:

- General Service 1 (G1) – Up to 1,200 kWh per month (up to 14,400 kWh per year)
- G2 – 1,200 kWh to 5,000 kWh per month (14,400 kWh to 60,000 kWh per year)
- G3 – 5,000 kWh to 200,000 kWh per month (60,000 kWh to 2,400,000 kWh per year)
- G4 – Above 200,000 kWh per month (2,400,000 per year and above)

At the end of each year OCEC staff reviews annual usage and places Members in the appropriate rate classification. A notification is sent to each Member being moved from one rate classification to another.

What is OCEC proposing to add as an annual peak demand thresholds to the existing annual energy threshold?

Beginning on January 1, 2026, OCEC proposes to add annual peak demand thresholds in addition to the energy thresholds to the General Service rate classes in the following amounts:

- G1 – Up to 15kW of annual peak demand
- G2 – Over 15kW and under 30kW of annual peak demand
- G3 – Over 30kW and under 60kW of annual peak demand
- G4 – Over 60kW of annual peak demand

These annual peak demand thresholds will be added to the existing annual energy thresholds and OCEC will place Members in the highest rate class based on annual energy usage or annual peak demand.

How does OCEC define annual peak demand?

Annual peak demand is the highest recorded demand billing determinant for the previous calendar year. The demand billing determinant is the highest average kW across a fifteen-minute period, the same billing determinant that is in use currently for demand charges.

What impact will this have on my bill?

For the majority of Members this will not have any impact on their bill and the majority of Members will stay within their same rate class. For some Members, especially those with high peak demand usage but infrequent energy usage or homes with net metered distributed generation, this change may result in moving rate classifications into a higher General Service rate.

How will Members know whether they will move rate classifications based on annual peak demand?

OCEC will begin putting monthly peak demand on the monthly bills as soon as possible. We are working with our software vendor to complete that change. OCEC encourages Members to review



their monthly peak demand during the upcoming winter to determine whether they would be placed in a different General Service rate classification starting next January 1, 2026.

OCEC staff will also be reaching out to Members who may see a rate classification change of more than one (i.e. G1 moving to a G3) and discussing their specific situation with them. The OCEC Board has approved not moving any one Member more than one rate classification higher per year.

How can Members reduce their annual peak demand to avoid a higher rate classification?

The same strategies used to lower Member's monthly peak demand can be utilized to maintain low annual peak demand.

I have a net-metered distributed generator at my house, will it help lower my demand?

Yes. If your Member-owned generator is producing energy during your peak usage the net value is recorded and your peak demand is lowered by the generation. For our most common Member-owned net-metered projects, rooftop and ground-mount solar, we would expect a reduction in monthly peak demand during the summer months. These same generators generally do not produce power during winter peak demand periods we see on our system. These winter peak demand periods are 6am-9am, typically.



Appendix A: Table showing rate changes for Priority #1 (2025, 2026, 2027, and 2028 Changes) and Priority #2 (2026, 2027, and 2028 Changes)

Current Rates for General Service 1 (G1) and General Service 2 (G2)

Customer Class		March 2024 Rate
General Service 1	Monthly Service Charge	\$ 36.30
Under 1,200 kWh per month	Demand Charge (kW)	\$ -
Up to 15 kW peak demand	Energy Charge (kWh)	\$ 0.0919
General Service 2	Monthly Service Charge	\$ 56.70
1,200 to 5,000 kWh per month	Demand Charge (kW)	\$ -
Over 15 kW and under 30 kW peak demand	Energy Charge (kWh) up to 5,000	\$ 0.0769
	Energy Charge (kWh) 5,001 kWh and over	\$ 0.0860

Priority #1 Changes for G1/G2

Customer Class		March 2024 Rate	2025 Rate Design Changes		
			Proposed Rate	Difference to 2024	% Change to 2024
General Service 1	Monthly Service Charge	\$ 36.30	\$ 36.30	\$ -	
Under 1,200 kWh per month	Demand Charge (kW)	\$ -	\$ -	\$ -	
Up to 15 kW peak demand	Energy Charge (kWh)	\$ 0.0919	\$ 0.0949	\$ 0.0030	3.26%
General Service 2	Monthly Service Charge	\$ 56.70	\$ 56.70	\$ -	
1,200 to 5,000 kWh per month	Demand Charge (kW)	\$ -	\$ -	\$ -	
Over 15 kW and under 30 kW peak demand	Energy Charge (kWh) up to 5,000	\$ 0.0769	\$ 0.0739	\$ (0.0030)	-3.90%
	Energy Charge (kWh) 5,001 kWh and over	\$ 0.0860	\$ 0.0830	\$ (0.0030)	-3.49%



			2025 Rate Design Changes		
Customer Class		March 2024 Rate	Proposed Rate	Difference to 2024	% Change to 2024
Irrigation Service Single Phase	Monthly Service Charge	\$ 52.20	\$ 52.20	\$ -	
	Demand Charge (kW)	\$ 3.70	\$ 3.70	\$ -	
	Energy Charge (kWh)	\$ 0.0562	\$ 0.0612	\$ 0.0050	8.90%
Irrigation Service Three Phase	Monthly Service Charge	\$ 67.00	\$ 67.00	\$ -	
	Demand Charge (kW)	\$ 3.70	\$ 3.70	\$ -	
	Energy Charge (kWh)	\$ 0.0562	\$ 0.0612	\$ 0.0050	8.90%

			2025 Rate Design Changes		
Customer Class		March 2024 Rate	Proposed Rate	Difference to 2024	% Change to 2024
Irrigation Service Single Phase	Monthly Service Charge	\$ 52.20	\$ 52.20	\$ -	
	Demand Charge (kW)	\$ 3.70	\$ 3.70	\$ -	
	Energy Charge (kWh)	\$ 0.0562	\$ 0.0612	\$ 0.0050	8.90%
Irrigation Service Three Phase	Monthly Service Charge	\$ 67.00	\$ 67.00	\$ -	
	Demand Charge (kW)	\$ 3.70	\$ 3.70	\$ -	
	Energy Charge (kWh)	\$ 0.0562	\$ 0.0612	\$ 0.0050	8.90%

			2026 Rate Design Changes		
Customer Class		March 2024 Rate	Proposed Rate	Difference to 2025	% Change to 2025
Irrigation Service Single Phase	Monthly Service Charge	\$ 52.20	\$ 52.20	\$ -	
	Demand Charge (kW)	\$ 3.70	\$ 3.70	\$ -	
	Energy Charge (kWh)	\$ 0.0562	\$ 0.0662	\$ 0.0050	8.17%
Irrigation Service Three Phase	Monthly Service Charge	\$ 67.00	\$ 67.00	\$ -	
	Demand Charge (kW)	\$ 3.70	\$ 3.70	\$ -	
	Energy Charge (kWh)	\$ 0.0562	\$ 0.0662	\$ 0.0050	8.17%



Customer Class	March 2024 Rate
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2027 Rate Design Changes		
Proposed Rate	Differenceto 2026	% Change to 2026

Irrigation Service	Monthly Service Charge	\$ 52.20
Single Phase	Demand Charge (kW)	\$ 3.70
	Energy Charge (kWh)	\$ 0.0562
Irrigation Service	Monthly Service Charge	\$ 67.00
Three Phase	Demand Charge (kW)	\$ 3.70
	Energy Charge (kWh)	\$ 0.0562

\$ 52.20	\$ -	
\$ 3.70	\$ -	
\$ 0.0712	\$ 0.0050	7.55%
\$ 67.00	\$ -	
\$ 3.70	\$ -	
\$ 0.0712	\$ 0.0050	7.55%

Customer Class	March 2024 Rate
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2028 Rate Design Changes		
Proposed Rate	Differenceto 2027	% Change to 2027

Irrigation Service	Monthly Service Charge	\$ 52.20
Single Phase	Demand Charge (kW)	\$ 3.70
	Energy Charge (kWh)	\$ 0.0562
Irrigation Service	Monthly Service Charge	\$ 67.00
Three Phase	Demand Charge (kW)	\$ 3.70
	Energy Charge (kWh)	\$ 0.0562

\$ 52.20	\$ -	
\$ 3.70	\$ -	
\$ 0.0762	\$ 0.0050	7.02%
\$ 67.00	\$ -	
\$ 3.70	\$ -	
\$ 0.0762	\$ 0.0050	7.02%



Priority #2 Changes for G1/G2

		2026 Rate Design Changes		
Customer Class		Proposed Rate	Difference to 2025	% Change to 2025
General Service 1	Monthly Service Charge	\$ 36.30	\$ -	
Under 1,200 kWh per month	Demand Charge (kW)	\$ 0.25	\$ 0.25	
Up to 15 kW peak demand	Energy Charge (kWh)	\$ 0.0924	\$ (0.0025)	-2.72%
General Service 2	Monthly Service Charge	\$ 56.70	\$ -	
1,200 to 5,000 kWh per month	Demand Charge (kW)	\$ 0.25	\$ 0.25	
Over 15 kW and under 30 kW peak demand	Energy Charge (kWh) up to 5,000	\$ 0.0723	\$ (0.0016)	-2.08%
	Energy Charge (kWh) 5,001 kWh and over	\$ 0.0814	\$ (0.0016)	-1.86%

		2027 Rate Design Changes		
Customer Class		Proposed Rate	Differenceto 2026	% Change to 2026
General Service 1	Monthly Service Charge	\$ 36.30	\$ -	
Under 1,200 kWh per month	Demand Charge (kW)	\$ 1.00	\$ 0.75	
Up to 15 kW peak demand	Energy Charge (kWh)	\$ 0.0849	\$ (0.0075)	-8.12%
General Service 2	Monthly Service Charge	\$ 56.70	\$ -	
1,200 to 5,000 kWh per month	Demand Charge (kW)	\$ 1.00	\$ 0.75	
Over 15 kW and under 30 kW peak demand	Energy Charge (kWh) up to 5,000	\$ 0.0677	\$ (0.0046)	-6.36%
	Energy Charge (kWh) 5,001 kWh and over	\$ 0.0768	\$ (0.0046)	-5.65%

		2028 Rate Design Changes		
Customer Class		Proposed Rate	Differenceto 2027	% Change to 2027
General Service 1	Monthly Service Charge	\$ 36.30	\$ -	
Under 1,200 kWh per month	Demand Charge (kW)	\$ 2.50	\$ 1.50	
Up to 15 kW peak demand	Energy Charge (kWh)	\$ 0.0699	\$ (0.0150)	-17.67%
General Service 2	Monthly Service Charge	\$ 56.70	\$ -	
1,200 to 5,000 kWh per month	Demand Charge (kW)	\$ 2.50	\$ 1.50	
Over 15 kW and under 30 kW peak demand	Energy Charge (kWh) up to 5,000	\$ 0.0579	\$ (0.0098)	-14.48%
	Energy Charge (kWh) 5,001 kWh and over	\$ 0.0670	\$ (0.0098)	-12.76%

