

FOR BOARD ACTION

Agenda Item # 6.

Meeting Date:

11/28/06

SUBJECT: Time-Of-Use Rates (Discussion Item)

PREPARED BY: Patty Hanson, Manager of Marketing and External Affairs

ITEM DESCRIPTION:

The purpose of this agenda item is to engage the Board in a discussion about anticipated changes in how we price our energy.

The Federal Energy Policy Act of 2005 requires states and unregulated utilities to consider launching time-based rates by August 2007. Time based rates are defined as either: 1) Time-of-Use pricing (TOU); 2) Critical Peak Pricing (CPP); or 3) Real Time Prices (RTP). The common element in all three pricing schemes is tying electric prices closer to actual market conditions. Though management has been discussing time-based pricing for a few years, we have not taken definitive action because we do not know what the state's position is yet. In addition, we will not be able to provide time-based pricing until our new customer information system (SAP CCS) is installed.

In part, RPU meets the Federal requirement with seasonal pricing (winter and summer rates) and the Time-Of-Use rates for the small and medium general services.

For Board benefit the following may be key discussion topics:

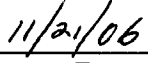
1. What is the intent of the federal legislation?
2. What customer segment will be impacted?
3. What will time-based pricing cost?
4. Do all customers benefit?

UTILITY BOARD ACTION REQUESTED:

This is a discussion item. No action is required.



General Manager



Date