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## Two Basic Electricity Concepts

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### The Major Parts of the Electricity System

- The different electricity network components (generation, transmission, distribution)

### Electricity Measure Concepts

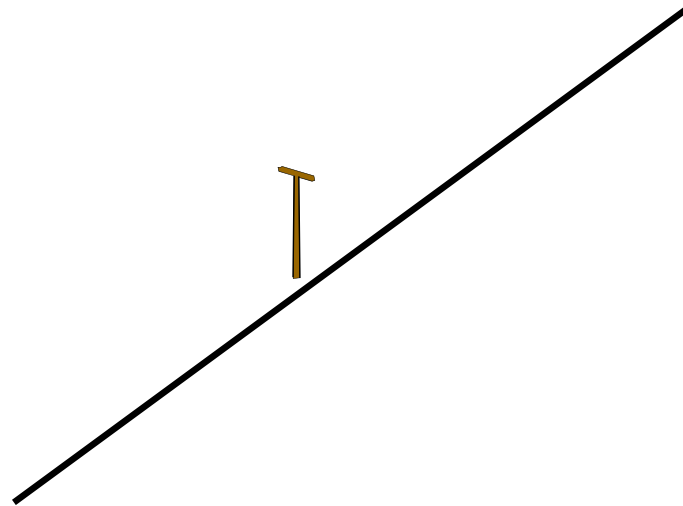
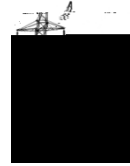
- kilowatts (kW) and kilowatt hours (kWh)

Key to understanding electricity costs. We'll cover these in the next two slides



# The Major Parts of Electricity Systems that Give Rise to Costs

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# Importance of Fixed vs. Variable Cost Distinction

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## Electricity Ratemaking: Three main steps (2)

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2. Develop . . .

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## Electricity ratemaking (hypothetical example)

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## Questions and Discussion







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## Questions and Discussion



## Cost Allocation

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The goal of cost allocation is to allocate the functionalized and classified revenue requirements (costs) to the different rate classes based upon ml o



# Allocation: Load research and allocation factors

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## Allocation factors vary by type of costs (2)

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## Typical rate design and rates by customer class (hypothetical example)

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## Questions and Discussion