

Competitive Utility Program (CUP)

The Competitive Utility Program (CUP), started in 1995, is a voluntary program that provides OMPA's 36 member cities with a way to evaluate and improve the operation of their municipal electric utilities.

The objectives of CUP:

- Run utility more like a business
- Track key issues on an ongoing basis
 - Customer satisfaction
 - System reliability
 - Rates
 - Transfers to general fund

The benefits of CUP:

- Helps cities operate their electric utilities in a more business-like way
- Provides financial awards to the cities that participate
- Improves the competitive posture and image of the city's electric utility

More Information

For more information about CUP, contact Roger Farrer (rfarrer@ompa.com), Energy Services Manager, or Palma Lough (plough@ompa.com), Energy Services Coordinator, at 1-800-256-5047. Cities certified in CUP are committed to improving the operation of their municipal electric utilities, while directly benefitting their communities.



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Competitive Utility Program



of the Oklahoma Municipal Power Authority

What is the Competitive Utility Program (CUP)?

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The **Competitive Utility Program (CUP)** is one of the programs offered by the Oklahoma Municipal Power Authority (OMPA) to its members. CUP provides OMPA member cities with a way to evaluate and improve the operation of their municipal electric utilities.

The program provides two types of reward – recognition in the form of certification and financial awards. Every year the city is certified, it receives \$20,000. Also, reductions in the city’s wholesale electrical costs are available. Over half of OMPA member cities are currently certified in CUP. Other cities are in the process of preparing their applications.

CUP is divided into two parts – Best Utility Practices and Management Policies.

- **Best Utility Practices**

This section leads to certification of the member city’s utility as a Competitive Utility. To achieve certification, certain criteria must be met in the areas of customer services, energy services, utility operations, marketing, maintenance and reliability.

The city must survey its residential and commercial/industrial customer segments, evaluate the results of these surveys and use them to identify problem areas and improve customer service.

City staff must attend a minimum amount of training each year, which can include qualifying remote training, (requirements depend on the duties of the employee).

The city also must participate in at least six of OMPA’s Energy Services programs, which are aimed at improving customer service and promoting energy conservation and off-peak marketing.

A Key Accounts program must be established to provide extra attention to the utility’s most important customers. Implementation of a written System Maintenance Plan is required, and the city should have a written Emergency Action Plan in place and ready to use in the event of major outages or emergencies. In addition, a Service Reliability Plan is required, so that outages can be tracked and reliability statistics can be kept and updated.

In addition, each city is required to have a qualifying transfer policy. The last requirement for CUP certification is the implementation of a number of optional programs. For initial certification, three optional programs are required for small cities, and five programs for large cities. These optional programs can be chosen from a wide variety of suggested activities, all of which meet the overall objective of improving the utility’s competitive standing. Alternatively, cities may use their own program(s) as long as they meet the overall CUP objectives.

- **Management Policies**

In addition to the \$20,000 for certification, other financial incentives are available to cities that achieve CUP certification. These take the form of reductions in the cost of power purchased from OMPA. A total of six levels of award are available to certified cities. For any one city, each level has the same value; but the value of these awards varies relative to the size and load of the city.

Two levels of award for competitive rates are given if the city’s rate measure is no more than 5 percent above the investor-owned utility’s and rural electric cooperative’s rate measures. The value of the awards in the areas of rates and transfers are worth three-quarters as much as the awards for load factor and advanced marketing program. The criteria stated in the CUP Manual for achieving the Advanced Marketing Program award includes customer mailings, matched advertising and OMPA-sponsored builder/contractor/customer orientation meetings.



In the Transfer Policy area, the following table is used as the criteria for evaluating transfer awards:

City Size Definition	<u>Large</u> (> 15 MW)	<u>Medium</u> 1,000 meters or more (but not large)	<u>Small</u> Less than 1,000 meters
<u>Transfer Policy</u>			
<u>Awards</u>			
1st level	A	A+3.0%	A+(3.0+2.0)%
2nd level	B	B+3.0%	B+(3.0+2.0)%

A - Third Quartile WSC benchmark published by APPA every 2 years
B - Median WSC benchmark published by APPA every 2 years.

Peer Review Committee

Applications for CUP certification are submitted for evaluation by a peer review committee. The review committee is composed of personnel who are elected officials, appointed officials and/or staff members. Upon a successful review, the peer review committee recommends that formal recognition be awarded by the OMPA Board of Directors.

Those cities certified in CUP receive street signs for the major city entrances and two plaques – one for city hall and one for the electric department that recognizes the city’s certification in the program.

CUP certification and financial awards are valid for a two-year period, with an interim one-year review. Requirements for certification are designed to minimize additional work and to ensure that the city’s competitive standing continues to improve.

Getting Started

To start the process of CUP certification, the city first passes a resolution indicating their participation in this program. It’s recommended that someone be appointed CUP Manager to coordinate the application. Regular meetings should be held while preparing the material for initial certification. After completing the certification process, regular quarterly meetings should be held to ensure that the city is keeping up with the requirements, including customer service training and reliability.