

Barron Electric Cooperative

Frequently Asked Questions

1. What is included in the fixed charge?

The \$21.60 fixed charge is used to pay for the cost of providing electrical service. This cost includes the material and labor needed to maintain lines and re-clear rights-of-way, as well as other fixed costs such as taxes, insurance, debt, and interest. We incur these costs whether or not any kilowatt hours are used. In 2008, the fixed charge was calculated at more than \$36.00 a month per residential member. The \$14.40 difference is made up from kWh sales and minimum bills. However, members using less than 109 kWh during the month receive a minimum bill of \$32.70.

2. What is the Power Cost Adjustment (PCA)?

The PCA may vary based upon the average monthly wholesale power costs and will be billed on all rate classifications, excluding the off-peak rate. The PCA is intended to reflect fluctuations in the monthly wholesale power bill due to costs in the volatile wholesale power market.

3. What is the minimum bill charge?

Members using less than 109 kilowatt-hours per month are billed \$32.70, which includes up to 108 kilowatt-hours of electricity. Members using 109-kilowatt hours or more per month are billed the fixed charge of \$21.60, plus the energy charge for the kilowatt-hours used.

4. Why was the step rate introduced?

The step rate was introduced as a measure to recover some of the revenue needed to cover fixed costs. The first step was slightly higher to capture lower usage, while the second step was lower to accommodate those members that were going to use the electricity regardless of the cost, such as farms, small businesses, and commercial accounts. Average usage is approximately 1,000 kWhs per month. This is the break point for the step rates.

5. How are rate classes determined?

The rate structure at Barron Electric Coop is divided into 5 main classes. These rates were initially determined by the size of the transformer needed to serve the member. At each major break in size and service, a class division would occur. The major classes are Residential, Seasonal, Irrigation, Small Commercial, and Large Commercial.

6. Why doesn't Barron Electric offer a time-of-use rate?

Barron Electric does not offer a time-of-use [T-O-U] rate similar to Xcel Energy's because load profiles for each entity are different. Barron Electric has a traditional morning and evening "camel-hump" peak pattern. Xcel has a 9 a.m. to 9 p.m. peak uniformly throughout the day. The cooperative's on-peak rate is its regular rate, while its off-peak rate is discounted nearly 40%.

7. Does Barron Electric have a 6-month service rate?

Rates for service are based on annual operating expenses. Assigning those costs on an intermittent or partial basis would make for extremely complicated calculations, and also make it difficult to determine which member was off and for how long. Other members would have to pick up the difference in operating costs not covered by someone on for only part of a year. If a large storm occurred during someone's absence, power has to be restored regardless if the member is there or not. System efficiency is to everyone's benefit when all members pitch in and share the cost of keeping the power on.

8. If I don't need electricity during certain months of the year, can I disconnect my meter and reconnect at a later time?

If service is disconnected and reconnected at the same premises within a 12-month period, the minimum bill will be charged for the months disconnected, plus a \$100 reconnection fee during working hours and \$150 after hours. This option would actually cost more than paying the minimum bill each month.

9. Why do I have a Program Charge on my monthly bill?

Beginning in October of 2000, all electric providers in Wisconsin were required by legislation to collect monthly fees aimed at improving energy conservation and efficiency and fostering low-income energy assistance programs for Wisconsin residents. For cooperatives, the program fee amount from each member is \$16 per year, or \$1.33 per month.

We only collect part of the fee or \$.68 per month per location to fund low-income energy assistance programs. Since Barron Electric already offers an energy conservation program (Load Management), \$.65 per member per month is invested in conservation efforts through Dairyland Power, our wholesale supplier. From July of 2007 until December of 2008, \$209,089 was collected while 1,375 eligible, low-income Barron Electric members received energy assistance, and another \$212,163 was invested in conservation and load management.

10. Why did Barron Electric's rates increase?

The electric rate consists of energy and demand charges passed on from Dairyland Power (wholesale power bill) and maintenance and operational expenses from Barron Electric (distribution adder). Dairyland's wholesale power bill represents 62% of our total expenses and Barron Electric's distribution costs represent 38%. In 2008, Barron Electric paid Dairyland Power nearly \$17 million for power. The wholesale power bill is influenced by several factors including:

- **Rising cost of fuel and transportation:** The rising cost of fuel is a driving factor affecting the cooperative's wholesale power bill. In addition, rail charges to transport coal have doubled. The cost of coal is rising due to the growing demand for coal in the global market (China). Dairyland is experiencing much higher costs to deliver coal by barge than in the past. Barge rates have been impacted by changes in domestic and global shipping patterns.
- **New generation and transmission:** This is essential to meet growing energy demand and ensure reliability for the members' future energy needs. The cost to build new generation at Weston 4 and new wind capacity contribute to increased costs. New transmission is needed to continue to provide reliability in the state. Currently, in some areas in Wisconsin, transmission lines are congested and causing bottlenecks.
- **Increased generation plant maintenance**
- **Expensive environmental and renewable generation legislative mandates:** These have a major impact on the wholesale power bill. Over the next 5 years, Dairyland has budgeted to invest nearly \$350 million in existing facilities to comply with environmental requirements. Within the next 6 years (2015), Dairyland is required to provide 10% of generation with renewable resources.
- **Congress passed legislation to further reduce emissions from nitrogen oxide; members can expect to pay up to \$3 more per month on their electric bill.**

Several factors influenced Barron Electric's 2008 distribution costs including:

- **Rising material and supply costs**
- **Cost of storms and maintenance:** (more miles of line equals more maintenance and upkeep)
- **Rising cost of fuel, wages and benefits**
- **Rising costs for depreciation**

11. What can members do about rising electricity prices?

All of us can do more to conserve energy and to use it more efficiently. We can also talk to our friends and family about the reasons for rising electricity costs. Attend the annual meeting; members have a voice in how the cooperative operates. Conserving energy is the best way to actually reduce consumption and lower electric bills. Members can also:

- Participate in Barron Electric's Energy Sense Programs (water heater, heat, central air, appliance and lighting rebates)
- Set thermostat as low as comfortable in the winter and as high as comfortable in the summer
- Replace furnace and air conditioner filters
- Replace incandescent lights with compact fluorescent
- Insulate and caulk
- Replace aging, inefficient household appliances and use energy-saving settings on appliances
- Turn down the temperature of your water heater to 120 degrees F.
- Ask Barron Electric for a free energy audit
- Visit ourenergy.coop to write to local legislators about keeping rates affordable

We encourage members to review *Use Energy Wisely, 101 Low Cost, No Cost Home Energy Saving Measures, 12 Easy Ways to Save* booklets available from Barron Electric. To look for more information on energy and energy savings click on these web sites: www.energysavers.gov ; www.energyright.com ; www.eia.doe.gov; www.nfec.org; www.energyguide.com; www.energystar.com; www.touchstoneenergy.coop. Members can also visit www.barronelectric.com to subscribe to Residential Questline. This e-newsletter contains a variety of energy saving articles and is e-mailed quarterly.

Enrolling in our Budget Billing payment plan allows members to pay the average of the highs and lows of monthly electric bills. E-Bill is available for those who want to pay online.

12. What is Barron Electric doing about it?

- We strive to deliver reliable electricity as cost-effectively and efficiently as possible. We are a not-for-profit organization run by members of the co-op living in our local communities. We run a lean cooperative, yet we have built partnerships with other cooperatives and co-op suppliers in the event of an emergency. Within the Dairyland system of cooperatives, Barron Electric's margins, operating expenses, and controllable expenses are among the lowest. When comparing the number of members per employee, we serve more members per employee than the average for the Dairyland Power system. The use of technology has allowed us to serve our growing membership with fairly consistent staff levels.
- We will save \$46,000 annually in fuel expenses through efficiencies and driver education.
- We have saved \$133,000 by strategically purchasing wire at a lower cost
- We annually save \$500,000 in demand charges with load management programs.
- We will save \$45,000 by investing in a hybrid truck.
- We continually look for new opportunities to lower costs and utilize technology to gain efficiencies and improve service.

13. Why do fixed charges vary between utilities?

Consumers share the cost of providing electric service. Cooperatives serve the rural areas which have fewer consumers per mile of line. We collect less fixed charges per mile of line than other power suppliers.

	Consumers Per Mile	Revenue Collected Per Mile of Line (Fixed charge x consumers/mile)
Barron Electric Coop	5.7	\$123.12
Investor-Owned Utilities	35	\$280.00
Municipals	47	\$293.75

14. Does Barron Electric support renewable energy?

Evergreen is Dairyland's voluntary renewable energy "green power" program. Evergreen is ideal for those who want to do more to preserve the environment and support renewable energy generation. Members pay an additional \$1.50/month to purchase a 100-kilowatt hour block of wind energy, in addition to their current bill, in support of this renewable energy program.

Norswiss Farms located on Barron Electric lines installed a methane digester, which can generate 775-840 KW of energy, enough to power at least 600 residential homes.

15. What can Barron Electric do about blinking lights?

Barron Electric provides electricity to 17,600 rural members in 8 counties with 3,068 miles of line. We have greater exposure to blinking lights, because we have more miles of overhead line compared to IOUs or local municipalities. We recognize that blinking lights can be disruptive. There are several reasons for blinking lights and/or power outages that are out of our control such as weather, animals, trees, and accidents caused by people. In 2008, 50 percent of the outages were caused by storms, animals, and trees. There are also reasons for blinking lights that we can control to some degree in the following ways:

- Trimming trees near power lines annually on a 5- or 6- year rotation so that trees do not touch the lines.
- Replacing bad poles each year to ensure that our equipment is durable and safe
- Inspecting the lines to ensure that equipment is in good working order
- Obtaining reports from Turtle® software to help detect outages, allowing a quicker restoration of power
- Identifying areas from Turtle® reports that become future reliability projects

16. When will I be eligible for a capital credit check?

Barron Electric must show some margins each year to maintain financial stability, finance projects such as new services, system improvements, and ordinary replacements. Capital credits are the allocated margins of what is left after all of the expenses are paid. Members are entitled to a share of the cooperative's margins, based on the amount of power they use. We are currently on an 18-year revolvment cycle. Barron Electric pays out the oldest year on record first and may elect to pay a portion of another year or years at the same time. Since 1965, Barron Electric has retired over \$17 million in capital credits. In 2008, we returned approximately \$588,000 through the distribution of over 11,500 checks. Unclaimed capital credits are placed in a trust regulated by the Federated Youth Foundation and used for such things as scholarships, library donations, cooperative education, and specific donations.

17. How are Capital Credits paid to estates?

In 1976, the Board of Directors approved a policy to pay capital credits to estates on a discounted basis. This was done primarily due to the large capital credit balances building over time, and the resulting financial hardship placed on the coop to pay off large settlements at face value to estates. A secondary reason was that if estates were paid face value of the entire capital credit balance, this would discriminate against all the other members who would have to “wait” for their capital credits. A discounted method assumes the time value of money in order that if a designated amount were put in a bank earning an interest rate equal to the cost of money, over “time”, that would accumulate enough “value” to equal the face value of the capital credit balance.

18. Why doesn't Barron Electric pay out capital credits at a pre-determined age?

The cooperative has adopted the 5-point Civil Rights program as though it were still a Federal borrower. Also, each year, the coop publishes its statement of non-discrimination. Each document assures all members that the coop will not discriminate, among other things, on the basis of age. Paying capital credits on the basis of some pre-determined age, e.g., 72, would necessarily discriminate against all members who are younger than 72.

19. How were territorial boundaries formed?

As new members were asked to join the cooperative, those closest to the lines were connected first. As lines were extended to add new members, it became obvious which utility's lines were closest to serve a new member. This was referred to as the equidistant method. Depending upon whose lines were closer, which meant less expense involved in building line to serve a new member, the decision of which utility would serve that location could then be based on economics and efficiency.

20. What is the expected life of the system?

The coop currently depreciates its utility plant [poles, wires, fixtures, cable, meters, transformers, etc. on a 35-year basis. On a practical basis, poles and wire can last 50 years and underground cable can last 15 years. The cooperative has a history of using only the highest-quality cable.

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