

Barron Electric Cooperative

Frequently Asked Questions

New Rate Structure, Rate Increase, Cost-saving Measures

1. Why did the Board of Directors approve a new rate structure?

The cooperative hired a rate consultant to conduct a cost of service study to identify how much revenue is needed to cover all costs associated with electric service and provide a margin. The objective is for each rate class to pay for the actual cost incurred by the cooperative for serving them, while contributing a small margin to reinvest in upgrading the system. Excess margins are returned to members in the form of capital credits. The 2011 cost of service study revealed that the cost of providing residential service is \$35.70 a month. Historically, the residential fixed charge has been approximately \$12-\$14 less than the actual cost of service and this difference has been made up in the energy charge. This rate structure provided little opportunity for the co-op to recover the difference from low-energy users and higher-energy users, ultimately resulting in higher-energy users subsidizing the cost of service of low-energy users. To ensure that every member is *paying their fair share and that we are sending an accurate price signal*, the board approved a higher fixed charge and lower energy charge. With this change, any change in energy consumption due to weather, energy efficiency or conservation will not negatively affect the ability to pay for the cost of providing basic service.

2. Why is there a 5.9% rate increase effective May 1, 2011?

Our \$19 million wholesale power bill from Dairyland Power represents 65% of our total expenses and our cooperative's distribution costs represent 35%. Wholesale power costs from Dairyland Power have increased over 9% in the last two years. Last year, the cooperative incorporated the increase into the Power Cost Adjustment. This year, both increases are included into the new rates for all rate classifications. Ninety-eight percent of the increase is directly related to the wholesale power bill and the reasons include: building new renewable (wind and biomass) generation, installing additional emission control equipment due to more stringent environmental regulations (\$400 million investment), and higher rail transportation and fuel costs.

3. Did the Board ask members what they thought before implementing this change?

The cooperative holds district meetings each year where randomly-selected members are invited to provide feedback to the cooperative. For the past two years, attendees were provided information about the rate proposal and impact. They were surveyed on whether or not the cooperative should charge the full cost of service. In 2010, the members' opinions were split. However in 2011, almost 80% said the cooperative should charge the full cost of service and lower the energy charge.

4. When was the last rate increase?

In 2009, the cooperative implemented a 7.2% rate increase.

5. Isn't the cooperative concerned about members already struggling to pay their bills?

The cooperative is always concerned about members being able to pay their bills. We analyzed the usage of members currently receiving energy assistance, and discovered that on average they use 990 kWhs/month and will see very little increase.

6. What is Barron Electric doing about rising costs?

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 have saved \$46,000 annually in fuel expenses through efficiencies and driver education; \$133,000 by strategically purchasing wire at a lower cost; \$500,000 in demand charges with load management programs. We continually look for new opportunities to lower costs and utilize technology to gain efficiencies and improve service. We have decreased our workforce by 14% through attrition and have lowered our insurance costs by providing a high-deductible health insurance plan and revising our retirement plans. We have also obtained lower interest rates.

Fixed Charge, Energy Charge, Stepped Rate, PCA, Minimum Bill, Off-Peak Heat Rate, Program Charge, and Time-of-Use Rates

7. What is included in the fixed charge?

The \$32.70 fixed charge is used to pay for the cost of providing electrical service. This cost includes the equipment and labor needed to maintain lines and reclear rights-of-way, as well as other fixed costs such as taxes, insurance, and interest. We incur these costs *whether or not any kilowatt-hours are used*. In 2011, the fixed charge was calculated at \$35.70 a month per residential member.

8. I've been paying the monthly service charge for years. Haven't I already paid for my meter many times over by now?

The service or fixed charge includes more than the meter. It includes labor and equipment to maintain the lines, insurance, taxes, and depreciation. It also covers new costs such as tree trimming, line rebuilds, substation upgrades and ongoing system improvements.

9. What is the new energy charge?

The new energy charge is \$.0957 per kilowatt hour, which is nearly 10% lower than the previous rate. Members using 1,000 kilowatt-hours per month will see an increase of approximately \$1 per month; however members using 500 kilowatt-hours will see an approximate \$6 per month increase. Changes were implemented in all rate classes.

10. Why is there no longer a stepped rate?

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 member usage is approximately 1,000 kWhs per month. This is the break point for the step rates. In 2011, the cooperative increased the residential fixed charge to recover over 90% of the actual cost of service; therefore, the stepped rate was no longer needed.

11. 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.

12. With the May 1 rate increase, will there still be a PCA charge?

A PCA is based upon the fluctuations in the wholesale power bill and will continue when necessary. The new rates include previous PCA adjustments.

13. Why is there no longer a minimum bill charge?

From 2001 to 2010, members using less than 109 kilowatt-hours per month were billed \$32.70 and this amount included up to 108 kilowatt-hours of electricity. Members using 109-kilowatt hours or more per month were billed the fixed charge of \$21.60, plus the energy charge for the kilowatt-hours used. In 2011, the fixed charge was increased to \$32.70 for all residential members in order to more accurately reflect the true cost of service and to ensure that all members in the rate class pay their fair share of fixed expenses.

14. Why did the off-peak heat rate increase?

The new off-peak heat rate increased 11% over last year. This change is due to the elimination of a \$100,000 electric heat incentive we had received from Dairyland Power. The off-peak rate is still 29% lower than the standard residential rate and offers a convenient, safe, and competitive alternative to other fuel sources. The new rate compares to \$1.89 per gallon propane when heating with a 95% efficient furnace.

15. 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 \$.66 per month per location to fund low-income energy assistance programs. Since Barron Electric already offers an energy conservation program (Load Management), \$.67 per member per month is invested in conservation efforts through Dairyland Power, our wholesale supplier. In 2010, \$146,520 was collected while 1,570 eligible, low-income Barron Electric members received energy assistance, and more than \$145,000 was invested in conservation and load management.

16. How are rate classes determined?

The rate structure at Barron Electric 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.

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

Currently, Barron Electric does not offer a time-of-use [T-O-U] rate, but since Dairyland Power is now a partner in MISO (Midwest Independent System Operator), we may offer TOU in the near future. The Midwest Independent Transmission System Operator is an essential link in the safe, cost-effective delivery of electric power across much of North America. MISO is committed to reliability, the nondiscriminatory operation of the bulk power transmission system, and to working with all stakeholders to create cost-effective and innovative solutions for our changing industry.

How Does Barron Electric Compare?

18. How do Barron Electric rates compare to other local cooperatives?

When comparing the average member's usage of 1,000 kWhs/month and including the fixed charge and energy charge, Barron Electric members in this category are paying 9% less than the average of 11 other local cooperatives.

19. 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	6	\$196
Investor-Owned Utilities	35	\$280
Municipals	64	\$352

20. Are lower energy users being penalized for making their homes energy-efficient?

Low-energy users benefit because they have reduced energy consumption. Every kilowatt-hour saved lowers electric bills. We will continue to emphasize energy conservation and efficiency and help members reduce their energy usage because it helps lower their total monthly cost. Energy usage continues to be the largest portion of the average member's bill.

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6-Month Service Rate, Disconnect and Reconnect

22. 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.

23. 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.

Resources for Members

24. 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)
- Participate in the Meter Monitor Program available on our web site
- 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, home performance assessment, or energy conservation loans
- 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; www.togetherwesave.com. 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. Barron Electric also loans out equipment, which can save energy and money.

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.

Capital Credits

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

Barron Electric must realize 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 2010, we returned approximately \$700,000 through the distribution of over 9,500 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.

26. 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.

27. 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.

Blinking Lights, Territorial Boundaries, and Life Expectancy of System

28. What can Barron Electric do about blinking lights?

Barron Electric provides electricity to 17,800 rural members in 8 counties with 3,080 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 2010, 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
- 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

29. 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.

30. What is the expected life of the system?

The cooperative 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.

Renewable Energy

31. 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.

Members are also eligible for a solar/wind site assessment. Barron Electric pays 50% or up to \$200 towards the assessment, while the member pays the remaining cost.

Value of Electricity

32. Is electricity still a good value?

Electricity continues to be a good value, especially when compared to other consumer goods. As demand for energy rises and fuel prices increase, the cooperative is committed to providing safe electricity at the lowest possible price.

"Check out" the value of electricity!

Next time you're at the grocery store, think about the way prices for bread, eggs, and other consumer goods have risen over the years. Electricity remains a value!

Average annual price increase between 2000-2010:

