



news & views

from Lincoln Electric Cooperative, Inc.

Your Touchstone Energy® Cooperative 

WHAT EXACTLY IS ELECTRIC DEMAND?

The Board of Trustees have approved a new three-part rate structure to be instituted starting on May 1. You will see a new charge for demand on your electric bill.

Demand is how much electricity your service requires the system to provide at a given moment.

Our electric system - poles, wires, substations, transformers, etc - has to be built to provide enough capacity to support every service on our system at their maximum, or peak, demand. This is also true of the generation and transmission system of our power supplier, Bonneville Power Administration (BPA).

But not everyone uses electricity the same way. Some services do not put as much of a strain on the electric grid, yet they are billed in the same way as those that do.

With the new rate design, we are working toward solving this inequality and making electric costs as fair as possible for each member, how they use electricity, and the toll they have on the system.

This design change and system maintenance charge increase also helps to distribute the fixed costs of the cooperative more equitably so members who use more electricity are not subsidizing those who use less.

Fixed costs are required expenses that remain relatively stable regardless of how much energy we sell to our members. As a cooperative, we believe that each service on the system should pay equally

for these expenses.

Right now, only a portion of these costs are captured in the system maintenance charge with the remainder being collected through the kWh rate. These fixed cost include, but are not limited to:

- Taxes
- Depreciation
- Insurance
- Billing
- Metering
- System maintenance and replacements
- Tree trimming
- Outage restoration
- Administration
- Health, safety and regulatory compliance
- Energy efficiency programs
- Vehicles and equipment
- Property and facility maintenance

With the new rate schedule and increase, the Board of Trustees is moving towards more of a cost-based billing structure. When the cooperative was young, most members used energy similarly and nearly equally. There were few electric appliances resulting in very low usage.

As a result, nearly all members contributed equally to the cooperative. Over time, electric use has become much higher and more diversified. People use electricity differently.

But the way we bill for that usage has remained the same for nearly 70 years, creating a large inequality of how members contribute to the cooperative. Instead of collecting the same from every member to cover fixed costs, the kWh

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Demand in a Nutshell

Consider these two members:

Member A has low demand, 15 kilowatts* (kw), and fairly steady usage at an average of 200 hours per month. Member A uses 15 kw x 200 hours = 3,000 kWh per month.

Member B has higher demand, 30 kw, but only turns it on an average of 50 hours per month.

Member B uses 30 kw x 50 hours = 1,500 kWh per month.

Lincoln Electric has to have transformers and service wires in place that are twice as large for Member B as we need to have for Member A. We also have to have twice as much capacity in substations and distribution lines available for Member B as for Member A.

BPA must also have twice as much generation and bulk transmission available for Member B as for Member A.

With our **current rate design**, we bill only the system maintenance charge and a kWh charge. In our example, we'll use the winter kWh rate:

Member A's Bill under Current Rate Design

| | |
|--|----------|
| System Maintenance Charge | \$32.50 |
| Energy Charges 3,000 kWh x \$0.0655/kWh | \$196.50 |
| Total Bill | \$229.00 |

Member B's Bill under Current Rate Design

| | |
|--|----------|
| System Maintenance Charge | \$32.50 |
| Energy Charges 1,500 kWh x \$0.0655/kWh | \$98.25 |
| Total Bill | \$130.75 |

Even though LEC and BPA have more invested in larger equipment and subsequent maintenance costs to sufficiently provide for Member B, Member B pays less than Member A. In order to make the rates more cost-based, LEC will be moving toward having members pay a portion of their bill based on this peak usage demand to help cover the increased costs it takes to serve that member.

*one kw equals 1,000 watts - the equivalent of 10 100 watt light bulbs being turned on at the same time.

Stay tuned next month to see the effect the new rates will have on Member A and Member B's bills!

BOARD APPROVES NEW RATE DESIGN

One of the most dominating principles that drives discussion at the Lincoln Electric Board of Trustees meetings is fairness. Our Board is always concerned about how decisions made by the Cooperative affects the membership.

This makes Lincoln Electric the ultimate consumer advocacy organization. The symbiotic relationship between the cooperative and its members creates the perfect mechanism to ensure that the needs of both are satisfied.

The Cooperative requires capital to keep its systems operating. The members require electrical energy to enhance their way of life and to fuel the local economy. Maintaining a fair and equitable way of collecting capital and delivering energy is the foundation of our existence. Knowing the fact that the principle of fairness plays such a major role in deci-

sion making here at LEC will help you to understand the motivation behind our push to redesign rates.

Over the past year we have been reaching out to the membership through the *Rural Montana* magazine and community meetings to explain the philosophy around rate design. Our communication efforts must now focus on the results of the research of LEC data and the Board's decision based on those findings.

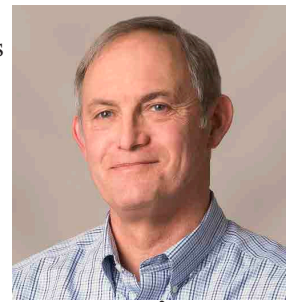
Starting on May 1, the Board of Trustees will institute a three-part rate structure for LEC members on a traditional post-pay account. The three line items are the system maintenance charge to help cover fixed costs, the kWh charge to bill for energy usage, and the demand charge to help cover capacity expenses.

Please read the feature article in this month's *Rural Montana* to learn more about the new charge of demand. Demand can be a difficult concept of electricity to explain so if you

have any questions about this charge, please contact LEC.

While there are a number of factors, including how we are billed for wholesale power costs, that are pushing LEC into such a rate design, fairness between the members is an overriding principle. As I mentioned above, it drives every decision. Lincoln Electric exists to serve its members and it must do so in the most fair and equitable way possible.

In March, we will again be hosting community meetings to help connect with members and discuss the new rate structure and increase. I urge you to



**Manager's Notes
by Ray Ellis**

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News & Views

Published monthly by Lincoln Electric Cooperative, Inc.

Lincoln Electric's Board of Trustees hold regular meetings monthly at the Eureka office. These are typically scheduled on the third Monday of each month at 7 pm. All members are encouraged to attend. If you have any items of interest, please contact the general manager prior to the meeting.

Next Meeting Date:

Tuesday, February 21, 2017

Board of Trustees

- **Mike Workman** - President, Dist. 5, Koochanusa Shores-Pinkham
- **Wesly Loughman** - Vice President, Dist. 4, Eureka-Tobacco Plains
- **Courtney Pluid** - Secretary, Dist. 3, Fortine-Glen Lake
- **Myra Appel** - Dist. 1, Flathead
- **Joel Graves** - Dist. 5, Koochanusa Shores-Pinkham
- **Tom Klyver** - Dist. 1, Flathead
- **Marianne Roose** - Dist. 3 - Fortine-Glen Lake
- **Tina Taurman** - Dist. 2, Trego-Stryker
- **Terry Utter** - Dist. 4 - Eureka-Tobacco Plains
- **Ethel White** - Dist. 4 - Eureka-Tobacco Plains

General Manager Ray Ellis

**In case of power outage:
Always call 406-889-3301**

312 Osloski Road
PO Box 628
Eureka, MT 59917
www.lincolnelectric.coop
info@lincolnelectric.coop

BUSINESS AND BOARDROOM BRIEFS

The regular meeting of the board of trustees was conducted on December 19, 2016. A quorum of trustees was present and the board took the following action:

- Approve changes to various policies.
- Approved the quote to improve radio coverage in the Wolf Prairie area.
- Authorized LEC to step down from the NWPPA Board, a review of the cost in advance for a Trustee to attend an out-of-town meeting, the Finance Committee to review quarterly reports on board fees, and an increase to the board fee budget for 2017.
- Approved a new three-part rate for residential and small commercial services and a new two-part rate for services on Pay As You Go.
- Approved the proposed 2017 expense budget.
- Authorized ERDP to be disbanded in 2017.

| | Year to Date 11/30/2016 | Year to Date 11/30/2015 |
|------------------------------------|----------------------------|----------------------------|
| Year to Date kWh Sales | 91,079,628 | 93,381,814 |
| Year to Date Revenue | \$ 8,605,923 | \$ 8,838,848 |
| Year to Date Cost of Power | \$ 3,873,122 | \$ 3,943,875 |
| Year to Date Operating Exp | \$ 4,374,517 | \$ 4,071,170 |
| Year to Date Margins | \$ 423,737 | \$ 685,891 |
| Number of Members | 4,500 | 4,401 |
| Number of Meters | 5,808 | 5,715 |
| Miles of Line | 953 | 949 |
| Total Utility Plant | \$ 33,364,868 | \$ 32,305,863 |
| Member Equity | \$ 9,080,112 | \$ 8,962,138 |
| Nov. Average Residential Use (kWh) | 1,337 | 1,635 |
| Nov. Average Residential Billing | \$119.92 | \$139.41 |

NEW RATE DESIGN

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attend any or all of the meetings, regardless of where you live. These are not specific to districts, but are merely spread out to try to reach as many members as possible. Please see the ad on this page for more information about these meetings.

Next month's *Rural Montana* will contain specific information about the new rate schedule and increase. Starting in March, we will also have the ability to calculate your past 12 months of billing as if it had been on the new rate schedule. This will give you an example of how your electric bills may change once the new rate is in effect. Call us if you are interested in having this done for your service(s).

Ray

Rate Design Community Meetings

Please join us for any or all of these community meetings to learn about the rate structure change and increase that will go into effect on May 1, 2017. All meetings start at 7:00 p.m. Dessert and beverages will be provided. For more information, please contact LEC.

Monday, March 13
Olney-Bissell School
5955 Farm to Market Road
Olney, MT

Tuesday, March 14
Trego Civic Center
346 Fortine Creek Road
Trego, MT

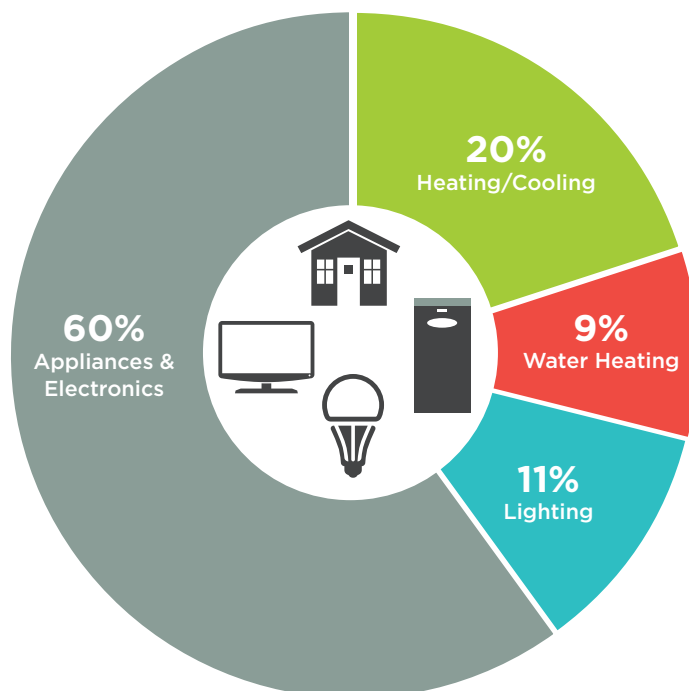
Wednesday, March 15
Lincoln Electric Boardroom
312 Osloski Road
Eureka, MT

Thursday, March 16
Lakeside Christian Church
251 Mountain View Road
Rexford, MT

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How Americans Use Electricity

The latest data from the U.S. Energy Information Administration shows that appliances and electronics account for the largest amount of electricity consumption in American homes.



Source: U.S. Energy Information Administration, 2015 Annual Energy Outlook. *U.S. residential sector electricity by major end uses.



AMERICA'S ELECTRIC
COOPERATIVES

DEMAND

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charge has steadily risen over time to make up for that deficit.

Also disregarded over time has been the need to collect costs for expenses related to the demand each service puts on the electric system. This is a charge that has been billed by power suppliers, but that electric providers have chosen to collect through the system maintenance charge and/or kWh charge.

However with the changing electric landscape, LEC must move toward a more fair, cost-based billing structure to weather upcoming changes in the electric industry and remain financially viable for our members.

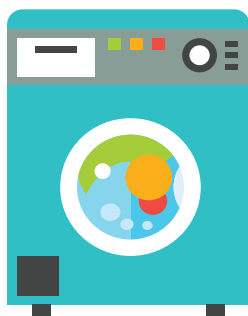
Next month we will publish the full details of the new rate structure, schedule and increase. If you have any questions, please contact LEC.



ENERGY STAR

Buyers Guide

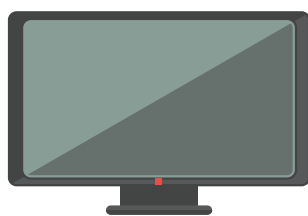
Purchasing **ENERGY STAR**-certified appliances and electronics is a great way to save energy in your home. But how do you choose the right product? It depends on your energy-saving goals *and* how you use energy in your home.



Do you wash multiple loads of laundry each week? Investing in an ENERGY STAR-certified washer could save you around \$45 on your utility bill each year. Some of the top-rated ENERGY STAR-certified large washers come from LG and Samsung. Visit ENERGY STAR's "Most Efficient 2016" page to learn more.



Home computers can use a shocking amount of energy each year. If all computers in the U.S. were ENERGY STAR certified, we would save more than \$1 billion in energy costs per year. If you can't buy an ENERGY STAR-certified computer, consider updating the power management setting on your computer. Visit energystar.gov/products/office_equipment/computers.



The larger TVs get, the more energy they use. But ENERGY STAR-certified TVs are, on average, 25% more efficient than conventional models. LG, Samsung and Vizio make the list of ENERGY STAR's most efficient 2016 TVs.

There are many different types of ENERGY STAR-certified products, including:

- Air purifiers
- Roof products
- Set-top boxes and cable boxes
- Decorative light strands
- Data center storage
- Pool pumps
- Vending machines
- Dehumidifiers

Learn more about **ENERGY STAR** products.
Visit energystar.gov/products



AMERICA'S ELECTRIC
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