



# news & views

from Lincoln Electric Cooperative, Inc.

## Rate Change Coming May 2021

Members will see the change reflected on their June bill

Your Lincoln Electric Board of Trustees voted for a rate change beginning on May 1, 2021. This adjustment considers both the latest and estimated next Bonneville Power Administration (BPA) wholesale power cost increase.

As a BPA customer, Lincoln Electric experiences wholesale power increases every two years. Wholesale power makes up about half of our overall expenses, so anytime we receive an increase, we need to adjust our rates accordingly.

The way we design the rates is to better establish a structure that is

more equitable for all members. We use a Cost of Service Analysis (COSA) to help determine how costs should be distributed among our different rate classes.

In 2016, Lincoln Electric had a COSA completed to determine the system costs that each service should be responsible for based on the overall characteristics of the different rate classes. Essentially, it showed us how costs should be distributed to ensure a fairer division of expenses.

The COSA clearly showcased that our system maintenance charge was not collecting nearly enough of our

fixed costs (see sidebar on page 7 for more on fixed costs). To adjust for that inadequacy, we raised the kilowatt-hour charge to collect a portion of the fixed costs from energy use.

This created a rate structure that was not only unfair to some members, but was also highly unstable. Since we were relying on kilowatt-hour sales to cover our basic expenses, any change in typically weather, especially a warm winter, had the potential to severely impact our margins in a negative way.

With a rate structure reliant on

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Classification	Rate Type	System Maintenance Charge (\$/month)		Kilowatt-Hour Charge (\$/kWh)		Demand Charge (\$/kW)	
		Existing	New	Existing	New	Existing	New
Residential	3-Part	\$46.29	\$49.70	\$0.0557	\$0.04957	\$1.75	\$2.00
Residential	2-Part	\$59.60	\$66.30	\$0.0685	\$0.06987	N/A	N/A
Residential	FlexAdvantage	\$59.60	\$66.30	\$0.06033	\$0.060135	N/A	N/A
Small Commercial	3-Part	\$46.29	\$49.70	\$0.05736	\$0.05621	\$1.75	\$2.00
Small Commercial	2-Part	\$59.60	\$66.30	\$0.0685	\$0.06987	N/A	N/A
Irrigation	2-Part	\$59.68	\$60.87	\$0.04459	\$0.04548	N/A	N/A
Large Commercial	3-Part	\$61.66	\$62.89	\$0.06427	\$0.06556	\$5.72	\$5.83
Industrial	3-Part	\$348.08	\$355.04	\$0.06534	\$0.06665	\$5.72	\$5.83

Look at your bill to determine your current rate classification and type. The rate class for your service is located at the far right of the meter reading section (see example below). Look at the chart to the right to match the rate class shown on your bill to the corresponding rate above.

Please contact us at 406-889-3301 for help or if you would like to get a personalized comparison of the different rate types based on your last 12 months of use history.

Rate Class & Type	Bill Rate Class
Residential 3-Part	010, 011, 012, 014
Residential 2-Part	010T, 011T, 012T, 014T
Residential FlexAdvantage	017
Small Commercial 3-Part	020, 025
Small Commercial 2-Part	020T, 025T



**Manager's Notes  
by Telly Stanger**

# Financial Analysis

## 2021 budget and rate change approved

As shown in our feature article, Lincoln Electric Cooperative will be adjusting rates in 2021. Several years ago, LEC had a rate analysis completed to provide guidance on how best to structure rates to avoid subsidization of one class of members by another class. The analysis included adding a demand

charge to residential and small commercial accounts and a five-year plan for rate adjustments to make billing more equitable. This 2021 adjustment is the last year in that five-year plan. LEC will be conducting another analysis later in 2021 to assist in making determinations of how our rates should look in the future.

geted for 2021, we looked closely at our options and how the rates could impact potential margins. As a cooperative, we are not in the business of making money for shareholders, but we are not in the business of losing money either.

The LEC Board approved a budget that projects an average margin and allows us to make the rate change we need without negatively affecting our members. This budget also allows the Cooperative to plan for growth and increase equity while maintaining our assets and continuing to retire capital credits.

Growth, margins, and capital credits make up our equity, which is a strong

One the greatest challenges we face as a customer of Bonneville Power Administration (BPA) are continual rate changes. BPA typically makes changes to rates every 2 years, which in turn, must be paid by LEC members. Rates are something we watch closely and try to plan for as far in advance as we can. As LEC bud-

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<b>FINANCIAL OVERVIEW</b>	<b>Year to Date 11/30/2020</b>	<b>Year to Date 11/30/2019</b>
kWh Sales	100,314,002	107,595,989
Revenue	\$ 10,519,506	\$ 10,588,971
Cost of Power	\$ 4,620,283	\$ 4,935,601
Operating Expense	\$ 3,133,450	\$ 3,590,753
Margins	\$ 1,402,511	\$ 772,604
Number of Members	4,795	4,717
Number of Meters	6,182	6,080
Miles of Line	977	971
Total Utility Plant	\$ 34,558,976	\$ 32,734,341
Member Equity	\$ 10,704,695	\$ 10,597,221
November Average Residential Use (kWh)	1,591	1,672
November Average Residential Billing	\$152.46	\$159.14

### BUSINESS AND BOARDROOM BRIEFS

The regular meeting of the board of trustees was conducted on December 21, 2020. A quorum of trustees was present and the board took the following action:

- Appointed Sandi Mason as the LEC representative on the MECA Communications Committee.
- Approved changes to Policy 514 - Absence from Workplace.

#### LINCOLN ELECTRIC COOPERATIVE, INC.

##### CONTACT

1-406-889-3301  
 info@lincolnelectric.coop  
 www.lincolnelectric.coop  
 Secure Payments: 1-833-890-6258

##### ALWAYS REPORT OUTAGES TO:

1-406-889-3301

##### OFFICE

312 Osloski Road  
 PO BOX 628  
 Eureka, Montana 59917

##### OFFICE HOURS

Monday - Thursday  
 7:00 AM - 5:30 PM

#### BOARD OF TRUSTEES

Tina Taurman  
 President  
 Marianne Roose  
 Vice President  
 Myra Appel  
 Secretary-Treasurer  
 Becky Evins  
 Michael Garner  
 Joel Graves  
 Sandi Mason  
 Rick Peterson  
 Troy Truman  
 Ethel White  
 Telly Stanger  
 General Manager

Lincoln Electric's Board of Trustees hold regular monthly meetings at the boardroom in the cooperative office. These are typically scheduled on the third Monday of each month at 6:00 pm. 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 16, 2021**



**Lincoln Electric  
 Cooperative, Inc.**

##### HAVE A STORY SUGGESTION?

**SEND YOUR IDEAS TO:**

memberservices@lincolnelectric.coop

## Fixed Costs

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. These fixed costs include, but are not limited to:

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

## Rates

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higher electric use, our financials fluctuated wildly. Any variations in electric use meant uncertainties in budgeting and cash flow. Also, as a cooperative borrower, we are required to meet certain financial benchmarks to remain eligible to keep our existing loans or apply for new funding.

Before gradually moving to a COSA rate over the last five years, some members were paying more than their fair share. Members with higher electric use were subsidizing

members with lower electric use.

By transitioning to a higher system maintenance charge to collect fixed costs, we were able to lower the kilowatt-hour charge. Members are now more accurately billed for the way they use electricity.

If you are interested in seeing how the rate change might affect your bill, please contact us at 406-889-3301 or [info@lincolnelectric.coop](mailto:info@lincolnelectric.coop). We can use your actual electric use for the last 12 months to complete a rate comparison of our current rates against the 2021 rate change.

# Revolving Loan Fund

## Gap funding available

Did you know that Lincoln Electric Cooperative (LEC) administers a Rural Development Revolving Loan Fund (RLF) program? This program offers low-interest financing to provide community development assistance to nonprofit entities, businesses, and public bodies. The funding is intended to fill capital financing gaps in order to encourage economic development in rural areas.

### RLF History

In 2017, LEC and Interbel Telephone Cooperative (ITC) jointly applied with the United States Department of Agriculture (USDA) to create an RLF. We started with \$300,000 in original loan funds. LEC and ITC each contributed \$30,000, which then secured an additional amount of \$240,000 from the USDA.

LEC was designated as the administrator of the RLF with ITC continuing to act as an active partner in the program. Both cooperatives have representatives on the loan interview and selection committee.

Glacier Electric Cooperative (GEC) in Cutbank, Montana, also took advantage of the RLF program. However, in 2020, they decided to exit the program. The USDA required that they

either transfer their existing RLF to another participant or relinquish the funds back to the USDA.

In an effort to keep the money within the state, GEC contacted us to see if we might be interested in absorbing their RLF. They knew that LEC's program was successful and that we had a lot of interest from additional applicants.

Late in 2020, LEC absorbed over \$586,000 in additional RLF funds from GEC's program. The additional money did not come with any costs to LEC beyond a small amount of administrative time.

As of early 2021, LEC has over \$600,000 in the RLF that is eligible for new loan applicants.

### Behind the scenes

The name of the program is extremely descriptive of the way it works. The funds are loaned out, then paid back with an almost unbelievably low 1% interest rate. As payments are made, both the principal and interest are put back into the RLF to be loaned out again.

It is continuously revolving as loans are taken out and paid. Due to the addition of interest, it is also continually growing at a gradual rate, creating



The RLF provides funding opportunities for local rural economic development, job creation, and/or job retention

more available funding.

The expense to LEC is very minimal. There is some general administrative time, but applicants are required to pay an application fee of \$100 (subject to change). If approved for a loan, the applicant will also pay a \$200 administrative fee for the loan to be created.

In the event LEC decides to leave the program, the original \$60,000 in starter funds return to the investors (\$30,000 each to LEC and ITC). Any funds in the RLF in excess of the \$60,000 would return to the USDA national program. If there were any outstanding loans, LEC would have to

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## Financial

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focus of the LEC Board now and in the future.

Recently, the LEC Board attended some training that covered these topics. What we learned was LEC has an extremely strong capital credit retirement program. This is very important to the LEC Board and will continue to be an integral part of your

cooperative. LEC's strength in capital credits can be used to help us plan for growth, and in turn, build our equity. Finding the balance between margins, growth, and capital credits is what we continually seek.

Looking forward, the future for LEC is bright. Your elected Board of Trustees understands the needs of the membership and the cooperative. This helps them to make well informed de-

isions to govern LEC. The employees at LEC are second to none and keep the cooperative running effectively each and every day. And you, as our members, make LEC what it has been, what is presently is, and what it will be in the future. I'm proud to be a part of it and will continue to provide our members with the exceptional service you expect from LEC.

Telly

## Apply to Win a Luck of the Draw Scholarship

Drawing held at Lincoln Electric's Annual Meeting on Saturday, April 10, 2020 at the LCHS in Eureka

- ♣ Student or their parent/legal guardian must be an active member of Lincoln Electric currently receiving electric service
- ♣ Student and/or their member parent/legal guardian must register for the Annual Meeting and Luck of the Draw Scholarship program prior to 9:15 a.m. to be eligible
- ♣ See the application for full eligibility details

Apply online: [www.lincolnelectric.coop](http://www.lincolnelectric.coop)

Application deadline: Monday, March 29, 2021

## RLF

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pay the remaining loan balance to the USDA.

### Eligibility

The RLF has three primary purposes for loans. The first is for rural development activities resulting in the creation or retention of job opportunities for rural people.

The second is for the construction and installation of needed community facilities, infrastructure, or services that support rural economic development and result in the creation and/or retention of job opportunities.

The third is loans that further new business development and/or existing

business expansion.

Eligible applicants include the following entities:

Business ventures - corporations, partnerships, sole proprietorships, cooperatives.

Governmental units - local towns, municipals, county, regional, school districts.

Non-profit entities.

There are a variety of project types that are eligible for RLF funding.

These include industrial/commercial development, small business expansion or startup, business incubators, community infrastructure or facilities, medical facilities, training/educational facilities, and tourism.

However, the project must be an employment creation or retention project, create business opportunities, or provide needed community facilities or services.

The RLF is mainly intended as gap financing. Essentially, an entity should have already secured bank financing for a portion of their project, but still need more to cover additional expenses. The RLF can be used as a stand-

alone financing. However, evidence of availability of other financing, if required, must be in place prior to advance of RLF funds.

### Application process

If you are interested, you must submit an application, associated \$100 fee, and supporting documents to LEC. To download an application, please visit [www.lincolnelectric.coop](http://www.lincolnelectric.coop).

Once you've applied, the RLF committee will review your application. Once they verify your application fits the required RLF criteria, you'll perform an interview with the committee.

If approved, you would then complete the loan documents, receive your money, and begin (or continue) to provide much needed economic development to our area.

### RLF fast facts

- Total amount loaned as of December 1, 2020: \$923,045
- Total number of loans: 14
- Jobs created: 32
- Jobs saved: 54

