

MESSAGES FROM THE GENERAL MANAGER: DOUG ELLIOTT

Important Updates From Your Co-op

This month's Powerlines provides important updates on our COVID-19 Preparedness Plan and details about our 2020 annual membership meeting which has been necessarily postponed. Also included in this edition of our Powerlines is an update on the Service Availability Charge and how KEC designs its rates.



OUR RESPONSE TO COVID-19: KEC'S CRITICAL BUSINESS OPERATIONS CONTINUE

Kootenai Electric Cooperative (KEC) continues to monitor COVID-19 and the recommendations offered by appropriate authorities. Based on this guidance, KEC has adopted and implemented a preparedness plan focused on preserving business continuity and keeping our employees and the public safe. Most of our inside employees are working remotely and our crews are working in cohorts that do not co-mingle. As well, KEC has reluctantly but thoughtfully chosen to follow the practice set by our regional utility peers and temporarily cease in-person member service at our office. We will reopen our office to our membership as soon as possible.

KEC business hours have also changed. Effective through June 30, 2020, KEC's business hours are Monday through Thursday 7 a.m. to 5:30 p.m. and closed on Fridays. We encourage members to make payments online, through the SmartHub app, by phone, mail or using the drop box in front of our building. Members are also encouraged to contact us during business hours by phone or email with any questions. We recognize that some exceptions to this practice will likely be necessary. In the event we are unable to meet your needs through other venues, we will schedule an appointment for you to meet with staff in person on a limited and case-by-case basis.

Members who find themselves impacted by COVID-19 or any other hardship and unable to pay their bills should contact KEC to discuss their account and possible resources available. KEC will continue to ensure appropriate accommodations are made under these circumstances.

Again, these actions are being taken to help ensure KEC's critical business operations can continue without interruption. KEC will continue to monitor recommended practices as

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ANNUAL MEETING POSTPONED

KEC has made the difficult decision to postpone its 2020 annual meeting that was scheduled for May 4, 2020. This decision is in response to Centers for Disease Control (CDC) guidelines discouraging public gatherings of over 50 people. We are working on a plan that will enable us to facilitate this meeting without requiring a quorum of 150 members to participate in person. Postponing the meeting should enable us to reschedule and constitute a quorum by ballot instead. The annual meeting could then be held without requiring so many members to attend in person. Those comfortable doing so would still be afforded the opportunity as has been our historical practice. We will notify members when the meeting has been rescheduled.



THE BASICS OF ELECTRIC UTILITY RATE DESIGN

Have you ever looked at a utility bill and wondered how the various charges were determined or why some utility bills are so complicated and others rather straightforward? Or, further, why do some charges on these bills remain the

same every month while others vary? These are some questions members occasionally ask, and you may have pondered them as well. I thought I would devote some time to answering these questions and hopefully demystify utility bills...well, at least KEC's.

At the risk of stating the obvious, utilities are like any other business. They receive revenue from their customers and use it to cover the costs they incur doing business. Revenues remaining after those expenses are paid are usually considered profit. Since KEC operates on a not-for-profit basis, the revenues remaining after expenses are paid are considered net margins. Those margins belong to our members and are returned to them over time.

With this in mind, utilities must ask two fundamental questions: first, how much revenue is needed to cover costs and, second, what amount of net margins is required to remain financially strong? While both influence rates, utility rate design is primarily influenced by costs.

There are two types of costs utilities incur: variable and fixed. Variable costs are those that change in proportion to the amount of the service being provided. An example of a variable cost is the fuel used to produce the energy customers use. If more power is consumed, more fuel is required, and greater fuel expense is incurred. A fixed cost is one that is incurred regardless of the amount of energy consumed. For KEC, these are costs that are incurred regardless of how much or how little energy a member purchases. These are costs that must be paid in order to ensure the member has power when needed. Examples include the cost of our poles, lines and trucks;

the interest expense on long-term debt; and the cost of labor.

If a utility's costs were primarily variable or primarily fixed, their rate could be very simple. If KEC's costs were primarily variable, we could simply charge a set amount per kWh purchased. Or, if our costs were primarily fixed, we could have a flat rate per month. Since utility costs are usually a mixture of both, utility rates are typically set so that revenue from rates is in proportion to the costs they incur. This approach keeps rates as low as possible, is fair to all members regardless of how much or how little energy they consume, ensures the utility can cover its costs, and also ensures it remains financially sound. It's for these reasons KEC has the rate design it does.

The Service Availability Charge (SAC) in our rates recovers the fixed costs of providing service while the energy charge (and the demand charge on some rates) recovers the variable costs of providing service. For standard residential service, KEC incurs about \$39 in fixed costs each month regardless of how much power the member purchases. Among other things, this covers billing, member service, and the cost of owning and maintaining the lines and transformers necessary to supply power when needed. Our current charge is \$32.50 per month. In other words, our current SAC is \$6.50 lower than it should be to fully recover fixed costs.

Regardless of this, some members feel the SAC is too high. They feel it discourages conservation and harms those who use very little energy. We understand and respect those concerns. However, we also feel that lowering the SAC would be unfair to other members. The portion of our fixed costs not recovered through the SAC must be recovered through an energy rate higher than it otherwise needs to be. This would harm those who heat with electricity and those who have limited opportunities to conserve because they rent or have limited resources to make conservation investments.

To ensure fairness to all members, KEC believes its rate design should not pick winners and losers nor should

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it attempt to penalize or promote the energy utilization choices of our members. We are a not-for-profit utility, owned by those we serve, and believe our rates should be fair to all. The rates of other utilities, in particular those whose rates are regulated by a public utility commission (PUC), often take a different approach. For example, the California and Washington PUCs frequently compel utilities to set their fixed charges very low in order to incent the installation of residential solar and other conservation measures. The crucial consideration here is that the fixed costs of the utility do not change with this approach and must be paid by others.

So how does our SAC compare with other utilities in the Northwest? We recently conducted a study of Northwest utilities and found that KEC's SAC is in the upper quartile. However, what's more important is the total cost our members pay for electric service. Under our current rate design, members who use an average amount of energy pay about \$20 less per month than the average Northwest consumer. That's an extra \$240 our members can spend on other things every year.

In 2016, KEC's SAC was considerably lower than its actual

fixed costs. Recognizing this, we adopted a rate change that gradually increased the SAC over a five-year period of time, such that our SAC would equal our fixed costs by the end of that period. With each annual adjustment, the energy charge would be proportionally reduced to remain revenue neutral; i.e., most members would see no change to their overall bill. We are in the third year of that plan. Prior to our next adjustment planned for October 2020, KEC will perform another Cost of Service Analysis to determine what our fixed costs are now. As a result, KEC may alter this planned growth. Recognizing that our current SAC is statistically in the upper quartile of Northwest residential rates, there is a strong chance it will remain unchanged from its current amount or that the growth rate will slow.

Best regards,



Doug Elliott
General Manager/CEO

OPERATION ROUND UP® GRANTS AWARDED TO OUR COMMUNITY

Operation Round Up® is supported by KEC members who voluntarily "round up" their monthly electric bills to the nearest dollar to help our neighbors in need. The extra pennies go into the Kootenai Electric Trust fund which distributes grants to worthy causes in KEC's service territory. Through this program, more than \$1 million has been invested in our community.

In February 2020, the Trust Board awarded more than \$17,500 to the following organizations:

- \$2,500 to Winton Elementary to purchase decodable books for kindergarten through second grade students to use at school to help them become independent readers.
- \$2,500 to the North Idaho Fair Foundation for the Farm to Table event, which aims to teach local fifth graders about the importance of agriculture.

- \$2,500 to the Panhandle Stormwater and Erosion Education Program to develop an advanced class with a focus on protecting water quality.
- \$2,400 to Idaho Drug Free Youth to launch a new program to reach more youth online and through workshops.
- \$500 to Seltice Elementary for the Idaho History Rendezvous event for students.
- \$459 to the Back Country ATV/UTV Association to purchase a weed and brush trimmer to clear trails.

Grant applications are available at www.kec.com. Members who choose not to contribute to Operation Round Up®, or who would like to begin contributing, may simply "opt-out" or "opt-in" on their bill or contact KEC by phone, letter or email.

NEWS BRIEFS

RIGHT-OF-WAY AND TREE TRIMMING REMINDERS

Everyone loves and values trees. Regardless of whether it is an ornamental yard tree or a native fir, trees provide a variety of benefits while occasionally creating risk to both lives and property. KEC's vegetation management program strives to balance the importance of trees with our commitment to deliver safe and reliable electrical power. We ask for your cooperation in keeping rights-of-way free of vegetation and structures to ensure our line crews and arborists have access for repairs and to maintain the safety zone around energized wires. Please do not plant trees within 30 feet of power lines and always notify KEC of trees posing a risk to the wires. Visit www.kec.com and fill out the problem tree report or call 208.292.3292.

APRIL IS NATIONAL SAFE DIGGING MONTH

Before you start any digging project be sure to call 811. Digging without calling can disrupt service to an entire neighborhood, harm you and those around you, and potentially result in fines and repair costs. Calling 811 gets your underground utility lines marked for free and helps prevent undesired consequences.

WIN A \$50 ENERGY CREDIT

Below are 10 KEC account numbers. If you find yours contact us at 208.765.1200 to receive a \$50 bill credit.

1781220, 1827329, 1288428, 1699374,
1815908, 1297630, 1245209, 1838990,
1467905, 1617412



4 COMMON CULPRITS OF ELECTRICAL FIRES

Outdated wiring and overloaded circuits are the most common causes of electrical fires. Check the following areas of your home to ensure your home's electrical safety is up to par.



1. Electrical outlets: Faulty electrical outlets are a leading cause of home fires. As outlets age, so do the wires behind them that you can't see. Any loose, damaged or warm-to-the-touch outlets should be repaired or replaced.



2. Electrical wiring: Outdated wiring is another common cause of electrical fires. Frequently tripped breakers, flickering lights and burning smells are clear warning signs. If your home is more than 20 years old, it may not be able to handle today's increased power load. If you suspect your home's wiring is outdated, leave this one to the pros and contact a qualified electrician.



3. Overloaded cords and outlets: Extension cords are not permanent solutions. If your big-screen TV, home theater system and other electronics are plugged into one extension cord, it's time to call an electrician and install additional outlets.



4. Old appliances: Older appliances are more likely to have loose or damaged wiring, which means they're more likely to catch fire. Check older appliances for damage and determine if it's time to upgrade or replace. Also check to ensure you're using appliance-grade outlets. A qualified electrician can help with installation.

COVID-19 RESPONSE CONTINUED FROM FRONT PAGE

outlined by the CDC, the World Health Organization, state and local officials, and, of course, good common sense.

We apologize for any inconvenience this causes you and request your patience. These actions have not been implemented lightly and are being made in an effort to safeguard our ability to serve you in the weeks ahead.

Please contact us at 208.765.1200 or kec@kec.com with any questions. Thank you for your understanding. These are unquestionably uncertain and unprecedented times. Please stay well.