



Okanogan County Electric Co-op Newsletter

March 2017

78th Annual Meeting

Okanogan County Electric Cooperative Inc. Official Notice of the Annual Meeting of Members

Pursuant to the provision of the By-Laws, notice is hereby given that the Annual Meeting of members of Okanogan County Electric Cooperative will be held Monday, April 17, 2017.

Where:

"The Barn" in Winthrop, WA
51 N. Highway 20

When:

Monday, April 17, 2017.
Registration is from 6 to 7 PM
Meeting begins at 7 PM

Among topics to be discussed are:

- Election of open Board positions.
- Update on electric operations.
- Update on propane operations.
- Update from Okanogan PUD on the transmission project.

First 100 memberships to register at the meeting will receive an energy efficiency package of 16 LED lights bulbs and a device to save hot water in the shower. This is a \$73 value.

American Legion Auxiliary #120 will serve pie afterwards.

OCEC Awards Latest Loan

OCEC recently awarded two loans from its Revolving Loan Fund (RLF). This fund is a partnership with the US Department of Agriculture. This is the 20th year of the fund and RLF has lent out almost \$1.1 million to organizations and businesses in the Methow Valley. Below is a picture of OCEC Manager David Gottula and Eqpd owner Jonathon Baker, latest loan recipient.



OCEC Manager David Gottula (right) and Eqpd owner Jonathon Baker, latest loan recipient.

Office Info:

Fall / Winter Office Hours:
Mon - Fri.
8 am - 4:30 pm

Our customer service call center is available 24/7/365 to handle most electric & propane concerns.

(509) 996-2228

OCEC Board:

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Information

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Thinking About the Base Charge

By Alan Watson OCEC Board Member

Do you look at your electric bill and wonder why the base charge is so high? When I joined the OCEC board of directors last fall my instinct was that we should encourage conservation by raising the electricity (per kilowatt hour) charge, while lowering the base charge by a similar amount. But I also recognized that doing so would shift costs from part-timers to full-timers in a way that might not be fair or politically acceptable. I wasn't sure what the answer was, but I was interested in learning more.

In June I went to the annual CFC Forum, a gathering of electric co-op managers and board members from around the country. One of the most interesting sessions was on rate setting, where the presenters, both professional consultants in the electricity world, made a good argument that our base charge is actually too low.

The consultants began with general principles: rates need to raise enough revenue to fund operations and capital credits, they should be fair, and they need to be simple enough for the members to understand and accept. Their concept of fairness is that as far as possible the customer for whom the co-op incurs a cost should pay for that cost.

One easy but useful way to look at OCEC's costs is to divide them into two categories: the cost of the electricity we purchase, and all other costs. In accounting jargon these two groups are called "variable" and "fixed" costs. (Variable costs automatically increase as sales increase: every kilowatt hour that OCEC sells to a customer is an additional kilowatt hour that OCEC must buy from Bonneville Power. Fixed costs can change, but those changes are the result of human decisions rather than an automatic response to sales).

Our rates also include both variable and fixed components. Electricity charges (per kilowatt hour) are variable, while base and demand charges are fixed. Clearly the per-kilowatt hour charge is the appropriate way to recover variable costs - the more a customer uses, the more the customer pays. But it is not clear that our fixed costs are subject to the same logic. The fact that it costs OCEC just as much to maintain the lines and run the billing service for a light user of electricity as for a heavy user suggests that perhaps all members ought to pay an equal share of fixed costs, and this is what the consultants at the CFC Forum argued. They believe that in a truly fair system fixed charges will bring in the same proportion of total revenue as the proportion of fixed costs to total costs.

In 2015 OCEC's fixed costs were 47% of total costs, while fixed charges (base and demand) were only 35% of total revenue. The consultants would argue that we should raise our base charges, and lower our variable rates proportionally, until our base charges bring in 47% of revenues.

Should we raise more of our revenue from base charges (while lowering per kilowatt hour rates)? Is it really fair that all users should share fixed costs equally, regardless of use, or should heavier users pay more for the system as well as for the actual electricity they use? Ultimately this is a value judgement, and my present thinking is that we have a pretty good compromise.

