



MESSAGE FROM THE PRESIDENT OF THE BOARD

BREC announces changes in billing

Buckeye Rural Electric Cooperative's service territory, full of beautiful rolling hills and heavily forested areas, has a low membership density and a 2,600-mile electrical system that is costly to maintain. Our board of trustees makes every effort to keep electricity affordable for our members despite many operational challenges.

Costs for materials, right-of-way maintenance, replacements and upgrades of infrastructure, and needed improvements in technology continue to increase while our growth in revenue and membership remains flat. Buckeye REC remains committed to maintaining a safe, reliable electric distribution system for our members and employees.

BREC periodically commissions a cost-of-service study, conducted by an experienced third party, to ensure that the cooperative's rates and charges are in line with the costs of providing service to members. Our most recent study determined that we are not fully recovering the fixed costs of supplying power to a number of member accounts with zero and low electricity use. Many of these accounts are for seasonal residences, campsites, hunting cabins, or similar facilities that use a modest amount or no electricity for most of the year. Further, because many of them are in remote areas of our territory, the cost of maintaining power lines can be more expensive for the co-op.

Presently, we recover all our operating and maintenance cost through a combination of a flat charge per meter,

called a fixed charge, and a distribution energy usage charge measured in kilowatt-hours (kWhs) consumed. Our cost-of-service study revealed that we should be collecting about \$58 per meter through a combination of these fixed and kilowatt-hour energy usage charges.

BREC has not increased its distribution energy (kWh) charge in 15 years, although generation and transmission (G&T) costs have increased dramatically. The co-op has no control over these G&T costs that are passed through to the members on their monthly billing.

It is necessary to recover the costs of delivering electricity, in the most equitable manner, even when no kilowatt-hours are consumed by a member. Therefore, the BREC board is implementing a \$2 increase to our fixed charge for all single-phase residential and general service members, effective May 1, 2021. A monthly minimum bill per meter will now reflect a combination of the fixed charge increase of \$2 and the first 0 to 200 monthly distribution kWhs of electricity at \$10.

What does this mean for a typical member? The average BREC member account uses approximately 1,100 kWhs per month. Members that use at least 200 kWh per month will only see the \$2 increase to the monthly fixed charge. In contrast, a BREC member using less than 200 kWhs per month will see an increase due to the new minimum bill, depending on how much, if any, electricity they are using.

For more details of these changes, please read the additional information provided in this issue of *Ohio Cooperative Living*. If you have any questions about this billing adjustment, please call BREC at 800-231-BREC (2732) or send us a message online at buckeyerec.coop/contact.



Paul Berridge
BOARD OF TRUSTEES
PRESIDENT

Going the Extra Mile



Electric Co-ops (BREC)



Consumers served per mile: **7**
Revenue: **\$15,500**

Other Electric Utilities



Consumers served per mile: **32**
Revenue: **\$79,000**

Sources: EIA, 2017 data. Includes revenue and consumer averages per mile of line.



Rate changes effective May 1, 2021

Answers to some of your questions ...

What changes are being made to the rates?

Members billed under the residential rate schedule will see an increase of \$2 per month for the fixed charge. The new minimum bill of \$40 reflects the fixed charge and includes the \$10 distribution energy charge for the first 0 to 200 kWhs. The general service single-phase (formerly named commercial single-phase) fixed charge will also increase \$2 per month, with a new minimum bill of \$44, which includes the first 0 to 200 distribution kWhs at a rate of \$10. So, the average BREC member, using 200 kWhs monthly or above, will only see a \$2 per month increase. The general service demand three-phase (formerly named commercial demand three-phase) rate schedule will increase \$10 in the monthly fixed charge from \$42 to \$52. Besides the BREC distribution portion of the bill, there are generation and transmission (G&T) charges. These charges represent the cost of owning and operating the power plants and transmission lines necessary to produce and deliver energy to BREC, as well as fuel cost, environmental regulations, equipment, and taxes. G&T makes up roughly 60% of the member's bill cost, passed through to the member, and is not controlled by BREC. These costs represent 53% of our total annual budget.

Why this latest fixed charge adjustment?

Our most recent cost-of-service study, performed by an experienced, independent third party, indicated that we are still only collecting about half of what is needed in our monthly fixed charge to cover our fixed costs. This study allowed us to gauge whether rates and charges are in line with the cost of providing service and resulted in the need to update our fixed charge portion of the rate structures to ensure that each member pays their fair share.

What is the monthly fixed charge for?

The monthly fixed charge ensures that members' expectations for continuous power and outstanding service are met. It gives each member a fair and equal share of the cooperative's operation. It provides funds that must be invested now to maintain the quality, reliability, and integrity of services that our members have traditionally counted on and come to expect.

Among the expense items covered by the fixed charge are:

- Trucks, wire, transformers, power poles, and labor needed to build and maintain the electric distribution system
- Costs for billing services

- Keeping pace with increased system investments to improve both capacity and reliability
- Implementing new technologies to provide increased reliability and operational efficiencies such as the outage management system and advanced metering
- Liability insurance, interest, taxes, and emergency storm restoration 40031351
- Maintenance of vegetation in our distribution rights-of-way (over \$2 million annually)

Because all cooperative members benefit from having reliable electric service available when they want it, the monthly fixed charge ensures that everyone pays their fair share of the basic costs — costs that exist whether or not a single kWh is used.

Why is BREC's monthly fixed charge higher than investor-owned utilities'?

Buckeye Rural Electric serves, on average, seven members per mile of line, while municipal utilities and investor-owned utilities serve, on average, more than 30 members per mile of line. Additionally, Buckeye Rural Electric's sales are 94% residential, whereas the other utilities receive a much higher portion of their sales from large commercial and industrial customers. All of this means that the other utilities receive five to 10 times more revenue per mile of line than we do, and therefore, they are much better positioned to spread their fixed costs. It costs over \$60,000 to build one mile of single-phase line (or to rebuild one mile of old line) and over \$160,000 for one mile of three-phase line. It could cost around \$2 million to build a new substation. With much of our 2,600 miles of lines in forested areas, we spend over \$2 million annually to maintain the rights-of-way. These costs simply cannot be recovered only through the kWh energy charge but must also come from a monthly flat fixed charge.

Who determines when a rate increase is necessary and the cost increase?

BREC's board of trustees and executive staff continually monitor the financial stability of the organization to determine if or when a rate increase is necessary. To establish the new rate structure, an independent, experienced firm is hired to review and recommend changes to our rates. Our adjustment was based on a cost-of-service study. Remember, rates are not changed to increase profit since the cooperative is not-for-profit.

Will I see a big increase on my bill?

Most members (who use at least 200 kWhs per month) will only see an increase of around \$2 per month for the residential fixed charge. The average BREC member uses around 1,100 kWhs per month. On the new rate, the first 0 to 200 distribution kWhs will cost \$10 and is included in the minimum bill. So, if you use at least 200 kWhs per month, you will only have a minimal increase of \$2 monthly (\$24 annually).

What if I use less than 200 kWhs per month?

Whether you use 0, 10, 150, or 200 kWhs, the new minimum bill will be \$40 (\$44 for general service single-phase), which reflects a combination of the fixed charge and \$10 for the first 0 to 200 kWhs. BREC has a number of accounts that have zero or low usage (e.g., hunting cabins, camper sites, idle services). This will bring these accounts closer to paying their fair share of BREC's fixed costs since they aren't recovered through the kWh energy sales. The goal is to more fairly spread the cost of providing service to those accounts and hopefully delay future increases to the entire membership.

What is the effective date of the new rates?

The new rates will be effective May 1, 2021.

Will general services (includes commercial/ industrial) rates increase or is this applicable only to residential rates?

Yes, those rates will also increase. The cost-of-service study is a comprehensive review of all rates to ensure that each member, regardless of their rate classification, pays their fair share. Each customer class should pay its fair share of costs without having one customer class subsidizing the other. Single-phase general service and residential accounts' monthly fixed charge will increase by the same amount. Due to their requirements, the fixed charge for three-phase accounts will be slightly higher.

Are copies of the rate schedule available?

Yes, members may obtain a copy of the new rate schedule by visiting our website at www.buckeyerec.coop.

Each year capital credits are returned to the members; can't BREC keep those monies instead of increasing rates?

BREC is a not-for-profit electric cooperative. As such, any net profits made by the cooperative must be distributed to the membership in the form of capital credit refunds. The members who purchased electricity in a given year are entitled to a refund of excess dollars collected for that year.

Will rates increase again in the future? If so, when?

There are several factors that can come into play that can and will affect rates. Many of these are unplanned and can

be tied to rising costs for coal, natural gas, storm restoration efforts, legislation requirements, etc. We are committed to doing our best to minimize the impact to our members by being proactive in our power supply and operational planning and offering tips on saving energy and rebate programs. We are committed to maintaining the reliability, quality, and integrity of our electric system.

What is BREC doing to keep costs down?

BREC has not increased our distribution kWh energy charge in 15 years, since 2006. BREC strives to operate efficiently while adhering to our commitment of providing affordable, high-quality, and reliable electric service. We continuously evaluate our operations to keep our rates as low as possible by:

- Implementing beneficial technology, such as the outage management system or advanced metering, to help control costs, provide operational efficiencies, and increase reliability
- Competitively bid all contracts to ensure quality service at the best possible price
- Ongoing evaluation of our day-to-day operations for opportunities to improve and gain efficiencies

What can you do to reduce your electric costs, and can BREC provide any assistance in this area?

BREC offers several options to help members manage their electric costs. These services include managing electric usage as well as flexible payment options such as budget billing. Members may find helpful information about conserving energy on the BREC website which includes:

- Various energy calculators may be found at our website tool center
- Helpful tips for saving money may be found under residential/energy conservation tips
- BREC offers home energy audits performed by our energy advisor. The cooperative provides this service at no cost.

Why didn't you seek membership input when revising the rates?

Your representation in your cooperative takes place through the trustees. The Buckeye Rural Electric board of trustees is composed of members just like you who are elected to their positions by the membership. The board is committed to working in the best interests of all members and was very involved in all of our rate discussions and studies. We strive to be as transparent as possible and to answer all of your questions by sharing the reasoning for the changes in *Ohio Cooperative Living* magazine. If you have further questions, please call our office.

NOTICE

Rate Changes Effective May 1, 2021

Buckeye Rural Electric Cooperative Board of Trustees has approved changes to the rates that will take effect on May 1, 2021.

- The Fixed Charge for residential consumers served under the Residential Rate Schedule will increase from \$28 per month to \$30 per month.
- The Fixed Charge for consumers served under the General Service Single Phase (formerly named Commercial Single Phase) Rate Schedule will increase from \$32 per month to \$34 per month.
- For Residential and General Service Single Phase (formerly named Commercial Single Phase) consumers, the new Minimum Bill will be \$40.00 and \$44.00, respectively, and includes the distribution energy charge of \$10.00 for the first 0-200 kWhs.
- The Fixed Charge for consumers served under the General Service Three Phase (formerly named Commercial Three Phase) Rate Schedule will increase from \$42 per month to \$52 per month.

A recent Cost of Service Study showed that Buckeye Rural Electric Cooperatives Fixed Charge is about half of what it needs to be to recover the costs that are necessary to deliver electricity, even if no electricity is used by the consumer. These costs include equipment and infrastructure maintenance and improvements, as well as meter reading processing and billing. Any excess income after expenses at the end of each year is allocated to members in the form of Capital Credits.

As a not-for-profit consumer-owned cooperative, we operate at cost and raise charges only when necessary to improve and maintain electric service. Additional information may be found in the March 2021 issue of Ohio Cooperative Living and our website buckeyerec.coop. If you have questions about these charges, please call us at 1-800-231-BREC (2732) or email us at buckeyerec.coop/contact.

