



Michael Keyser  
CEO/General Manager

## Keyser's Corner

# Explaining the Distribution Service Rate

In January we implemented the first real changes to our rates in a number of years in order to simplify

how we pass through our purchased power costs. The effect was essentially cost neutral for most members.

Amongst the decreases and increases involved, our distribution fixed rate (aka Consumer Delivery Charge) saw a \$1.32 per month increase. As it's been four years since we changed that rate, I thought it would be helpful to revisit what this rate covers. My description will get into the weeds of utility ratemaking a bit, but bear with me. I will do my best to simplify things.

Utilities have two basic types of costs (and rates to recover those costs) — fixed and variable. Fixed costs include poles, wires, substations, transformers, buildings, equipment and software, meters, staff and overhead. Basically, costs that don't fluctuate based on how much energy customers consume. Variable costs are almost entirely comprised of those related to supply of energy — like purchased power. Distribution utilities that do not generate their own power generally have very few variable

costs, and thus rely more heavily on fixed rates to recover their fixed costs.

Some utilities choose to artificially maintain their fixed rate very low and recover the bulk of their fixed costs through an inflated variable rate. In my opinion, this unfairly penalizes high-consumption customers by overcharging for their share of the fixed distribution costs, while at the same time undercharging low-use customers for the actual costs to serve them. Thus, low fixed rates with inflated variable rates create cross-subsidies between groups of members. For example, seasonal members might only use electricity half the year with the other six months closed up and idle. However, the costs to maintain and repair the electric system that serves seasonal properties remains year-round. Not setting the fixed rate at the appropriate level shifts cost recovery from seasonal members to year-round members, who then bear a greater financial burden. As a self-proclaimed "rate purist," I believe utilities should recover their costs in the same manner as they incur them.

At BARC, we have goals to both ensure the Cooperative's long-term survival and support our members in energy efficiency and renewable energy. These two goals are

not always in perfect harmony with one another. Many utilities form barriers to things like rooftop solar in an attempt to make them uneconomical or impractical. I have always believed that is a shortsighted strategy, and that by aligning our rates with our costs as we incur them, we can simultaneously achieve both goals.

To treat all members fairly, in 2011 we aligned our distribution fixed rate as closely with our actual fixed costs as possible. It doesn't recover 100 percent of those costs, but it is much closer than it ever was before, and is even a little closer now with the \$1.32 increase just implemented. With this approach, we strive to ensure the revenue we need to maintain and upgrade our system while providing excellent service to our members, regardless of how much electricity they consume.

Hopefully that explanation wasn't too painful for you. The bottom line is this: we at BARC firmly believe our approach treats all our members fairly and fosters long-term stability. Add to this our unwavering effort to control all costs and you'll find your cooperative positioned to provide the best value — and personalized service — for your dollar of any electric utility you can find.

### BARC ELECTRIC COOPERATIVE

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CEO/General Manager

Michael Keyser

*BARC Electric Cooperative is an equal opportunity provider and employer.*

## What's in my Distribution Service Fixed Charge?

- Transformers
- Meters
- Substations
- Distribution equipment, like fuses, switches, insulators, regulators and capacitors
- Utility trucks and other vehicles
- Radios and telephones
- Hardware and software
- Office buildings
- Maintenance of our poles and wires
- Customer service and billing
- Staffing and other overhead

# Peace of Mind from Your Utility Bill

by Tom Tate

Aside from the government most of us manage our finances with a budget. Personally I like knowing how much I owe folks so I can plan accordingly. Utility bills can be an exception. Since I work for your cooperative, let me take the electric bill as a case in point.



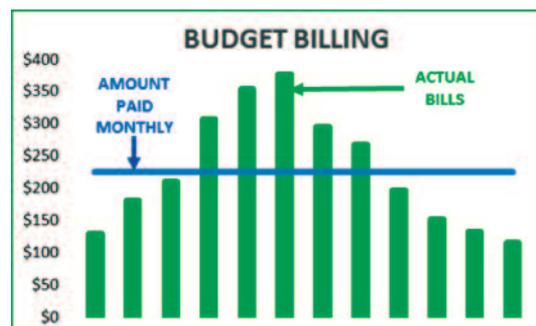
Our energy use is driven by the weather, visitors, holiday celebrations and a host of other factors. As a result, it can be a real guessing game as to how much I'll owe when the bill arrives. There have been many times when I was unpleasantly surprised. When operating on a close-to-the-bone budget, unexpected expenses cause me a fair amount of anxiety.

That's why I moved to a budget-billing plan when it was offered. Well, my chief financial officer (wife) insisted. So we did and it made life a lot easier. Let BARC give you the same peace of mind. We offer a budget-billing program that will smooth the roller coaster of bill amounts and let you set a budget for your power.

Appropriately named, our "Worry Free" budget program takes the average of your bills for several months and divides that amount into equal parts. Then it updates the amount each month taking into account recent use. "Well, Tom," you say, "How is that a budget? Won't my bill change each month?"

It will but in a much smaller amount than otherwise. Folks on the plan will often budget a bit higher than the average, an amount they feel comfortable with. They pay that amount each month regardless of the actual bill. This further smooths out any differences. At a former co-op, our manager of finance did exactly that and said it made her home budgeting that much easier.

The following chart illustrates how this can work for your budgeting needs.



Enrollment is easy, just give us a call (800) 846-2272 and one of our reps will get things started. Or email us at

co-op@barcelectric.com and let us know you want to sign up.

And while we are on the topic budgets and making life easier, why not look into BARC's pay-by-draft program? With this bill-payment option, you set it up so your cooperative can withdraw the amount of your bill directly from the bank account of your choosing. Okay, it has to be one of your bank accounts. No fair using your rich uncle's.

Here is how it works. You go into the customer portal from our website. Go to the payments tab to set-up bank or credit card draft. While there, look under the E-Notifications tab to receive an ebill. Under the My Alerts tab, sign up to receive a payment confirmation.

Of course you can change your mind if it doesn't work for you. To be honest, once folks start with this approach, very few ever look back.

No checks to write, stamps to find or bills to mail. Easy for you and very beneficial for your cooperative. This really saves us money and, as we like to point out, when we save money, all the members save money.

To sweeten the deal a little, for the first 50 people who sign up for the pay by draft, we'll give them a \$25 gift card to The Homestead. Get started online today or call us at (800) 846-2272 and our reps will help you set everything up.

Why not sign up today and give yourself a little peace of mind and convenience?



Tina Glenn

## TINA's Tastings

### CROCKPOT BAKED SWEET POTATOES

2 to 4 medium sweet potatoes  
water

Wash but do not dry sweet potatoes. Place them in the bottom of a Crockpot. Put a splash of water in pot, so it won't burn. Cook on low for 6 to 7 hours, until done. Serve hot with toppings of butter, brown sugar and cinnamon.

# Video Messages on Their Way to Your Inbox

by Tom Tate

Unfortunately for some of us, our electric bill can be somewhat hard to decipher. I mean, they arrive well after we use the power and have numerous charges to decipher<sup>1</sup>. Personally, I often scratch my head over what I did to use that amount of electricity. Here at BARC we are always looking for ways to help members make the most of their energy dollars and to find out what is using power in their homes. Our audits are one way we do this. And we apply our experience in what uses watts on a daily basis to assist members in cutting back to save on their bills.

One of our key partners is a company called Apogee. They provide our online energy audit and are one of the leaders in the industry when it comes to helping people make sense of how they use energy. They are nationally recognized for the accuracy of their products. So, when they asked if we would like to get involved in a new program, we were more than willing to listen.

Their new program will email a member in advance of their bill when the total has changed more than \$20 from the previous month's bill. It will contain a video that gives possible reasons for the change including weather, holidays, number of



days in a billing cycle and so forth. It will also point you to tools on BARC's website that can help members identify ways to reduce their use and save money. Members with their email addresses on file with at least a 10-month bill history with BARC will automatically be eligible to receive these videos.

The videos will range from one to three minutes, depending upon the topic. To be sure the emails and videos add value, we have been testing them on several BARC employees. Their reactions have been positive so we are comfortable offering the service to all our members.

As with all emails we send, you have the option to opt out if you find they do not add value. Saying that, we encourage you to stick with them for a few months at least. The reason for asking this is we will use the approach for other needs. Say a big storm is headed our way. We can send out a video with advice on how to prepare for the storm, how we will restore power and that sort of thing. Don't worry, we won't be flooding you with these. We'll only use them when they add value.

The first emails with videos will be coming out in April so keep an eye on your inbox. We'd love to hear what you think about them and if you have ideas for other topics. If you have not given us your email address, please consider doing so. We'll never share it in any way and our use of emails is limited to adding value to our members.

As a little postscript, some of you may have seen the storm-preparation video we put on Facebook and our website as Jonas bore down on us. If you did, let us know how it struck you.

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<sup>1</sup> Fortunately for BARC members, we just consolidated some of those lines to simplify the bill.

## Energy Efficiency Tip of the Month



Consider purchasing rechargeable batteries – and an ENERGY STAR charger for them – which are more cost effective than disposable batteries. In the U.S. alone, more energy-efficient battery chargers could save families more than \$170 million annually.

Source: [energy.gov](http://energy.gov)