



CEO Brad Gaskill

## **Cost of Service/Rate Design Study Shows Need for Change In Residential Service Rate Structure (Part II)**

In my article last month, I discussed how a third party consultant was retained in 2010 to perform a Cost of Service and Rate Design Study for your association. This Study was needed to determine if our current cost recovery and rate design strategy is adequately addressing the new challenges facing the electric utility industry, properly recovering our cost of providing service to consumers and protecting the association's long-term financial stability.

There are two main categories of expenses that PVREA incurs in supplying electricity to your home/business. The first and largest expense, about 76% of our total costs, is the cost of purchased power from our wholesale power supplier, Tri-State Generation and Transmission Association, Inc. The second expense category includes the costs of getting the power from the substation to your home/business. These expenses include the cost of system operations and maintenance, billing, meter reading, customer records and collection, customer service and information, accounting, insurance, depreciation, taxes, etc. These fixed expenses occur every month and their recovery is necessary to make it possible for us to have safe and reliable electric service available for your use at any time, whether you chose to use it or not.

A utility's rate design determines how these two cost categories will be recovered through the various components of the electric bill; the fixed monthly facilities charge, the kilowatt hour (kWh) energy charge and in some cases the kilowatt (kW) demand charge. True rate design principles state that consumers should pay the costs they impose on the utility. Further, the fixed costs of the utility should be recovered through fixed charges and variable costs, primarily energy used, should be recovered through variable charges. However, it has been typical for electric utilities, including PVREA, to recover a majority of their fixed costs through the variable component, kWh charge, of the utility bill.

Recovering a majority of our fixed costs through the kWh charge puts PVREA at greater risk of being dependent on weather extremes, cold winters and hot summers, in order to collect the required revenues to operate your association on a stable and sound financial basis year after year. It also creates a disincentive to promote energy efficiency programs because it reduces our ability to recover our fixed costs through energy sales. Collecting our monthly fixed costs through the facilities charge of your electric bill minimizes the aforementioned risks. It will assure the membership that we are able to collect the necessary revenue to recover our cost of service, meet our service obligations and maintain the financial health of your association.

Since receiving the Study results, your Board of Directors and management team continue to work to further review and analyze the study findings and the consultant's recommendations in order to develop a new rate design strategy that is fair and equitable to all rate classes. We are also working to build a rate structure implementation plan which proposes changes to the facilities charge over time. In addition we are finalizing plans for member information meetings to present the Study results and proposed rate design changes as well as solicit your comments and questions. A schedule of these meetings will be shared with you in the coming months.

I look forward to visiting with you again.

*Brad Gaskill*

CEO, Poudre Valley Rural Electric Association



## Smart Meters

Poudre Valley REA is currently engaged in development and construction of one of Colorado's largest smart grid projects. Known as the AMI program (Advanced Metering Infrastructure) this effort will result in "smart" electric meters being installed on every PVREA service throughout our 2,000 square mile area.

As of year end 2009 smart meters had been installed on Poudre Valley REA services. This month another 738 meters will have been deployed. This represents more than 10% of all PVREA accounts. Work on the smart grid project has been centered, to-date, near Nunn and Berthoud. In the coming months the project will continue to focus on the area southwest of Loveland around Berthoud and Hygiene

Beginning in the spring, work will progress to areas surrounding Loveland and Windsor then north to Waverly and east/northeast of Fort Collins. The entire project is scheduled for completion by the end of 2012.



## Care Fund Continues Energy Improvements to 60 Homes

Work on the Poudre Valley REA CARE Fund program is continuing and current scheduling anticipates all 60

homes included in the current project to be completed by April. Funding for the program has been increased in 2011 and we are now accepting new applications. Please contact the Member Services and External Affairs Department for more information and how you may qualify for energy efficiency improvements to your home at no cost to you. 970-226-1234.

## Are You A Winner?

If you find your name in this month's issue call 970-282-6422 to collect your prize.



## Jim Byrne Retires

Jim Byrne has retired from his position as Engineering Services Manager at Poudre Valley REA.

Jim has served, nationally, in several capacities including past Chair of the National Rural Electric Association Transmission and Distribution Committee which develops standards for overhead lines. He has also served on the National Electrical Safety Code Subcommittee and the Rocky Mountain Electric Metering Association created by the Colorado Rural Electric Association

Jim has traveled to India on six occasions with USAID to provide Safety and Best Practices instruction as part of a partnership between Poudre Valley REA and Maharashtra State Electric Distribution Corporation Limited (MSEDCL). "It is a cultural and professional experience that I will always cherish, Jim says with his trademark smile. "MSEDCL is the largest electric distribution utility in Asia. Through our association, they have managed to increase their energy efficiency and reduce waste by more than 650 MW as well as greatly enhancing their safety programs."

Jim graduated from Colorado State University with an EE degree in 1972 and was hired by Poudre Valley REA as the Assistant Engineer. His first project was to transfer lines and customers between Poudre Valley REA and Public Service Company to align with a new territorial agreement. That project took almost 3 years to complete. He received his Professional Engineer's license in 1987 and was promoted to the Manager of Engineering Services in 1991.

"Working for Poudre Valley REA has been a dream job for me," Jim said. "It is gratifying to know that the work one does helps the community in which you live in a real and tangible way. I want to thank all my associates, the management, the Board and the consumers for this opportunity."

Needless to say, Jim will be missed very much here at the co-op. His contributions are much respected and appreciated.

# 2011 Annual Meeting and Election

The annual meeting will be held on Saturday morning, March 26, 2011 at the the Embassy Suites Hotel and Convention Center. Registration will open at 7:30 A.M. in the John Q. Hammons Conference Center at the hotel. The central business at the meeting will be focused on the election for board of directors. This year there are four positions on the board open, two in Weld and one each in Boulder and Larimer Counties. All of the candidates for these seats will be profiled in the March issue of Colorado Country Life and the voting process will be explained in detail. We will mail ballots to every member on February 25. The independent firm of Survey and Ballot Systems (SBS) will again oversee the voting process. You may mail your ballot to SBS or you may vote at the meeting. Representatives from SBS will count and tally the vote while the meeting convenes and election results will be announced at the close of business.



## Co-op Connections®

### Co-op Connections Adds Local Businesses

Your Co-op Connections Card is now welcomed at many LOCAL retailers in addition to pharmacies. Here is a sampling of the offers available near you. Visit [www.pvrea.com](http://www.pvrea.com) for a full list and more details. And remember, we're adding more great deals every week!

#### Dining and Travel

**Simple Suppers-N-Sweets**  
10% Off on All Goods  
(970) 663-9262

Healthy "fine dining" entrees designed for you to cook in your kitchen and enjoy with your family.

**Nordy's BBQ & Grill**  
\$5 OFF Family Feast

(Does not include Feast for 2)  
4369 St. Cloud Dr., Loveland  
151 N. College, Fort Collins  
"If you love really good barbeque you're going to be grateful for Nordy's" -- Urbanspoon

**Out'a Bounds Saloon**  
2 for 1 Appetizer

(Equal or lesser value)  
281 East 29th St, Loveland  
Live Music, Live Trivia, Karaoke

**Maya Cove Restaurant**  
20% OFF Total Purchase  
2100 W Drake, Fort Collins  
"The atmosphere is relaxed and the food is top notch."  
-- Tripadvisor

**AmericInn Ft. Collins South**  
\$10 OFF Room Rent  
(Present card at registration)  
7645 Westgate Dr, Ft Collins  
"Of all the places we stayed, this was the nicest." --  
Tripadvisor

#### Automotive

**Windsor Collision Ctr.**  
2 Days Free Car Rental or \$25 Gift Card  
(On Repairs Over \$500)  
240 1st Street, Windsor  
"I appreciate the professionalism, personal touch shown by Dave and his crew" -- Stephanie B.

**Oil Can Henry's**  
\$10 off all automotive services  
(Not valid with other offers)  
1231 Main Street, Windsor  
2310 17th Avenue, Longmont,  
1646 Pace Street, Longmont  
Relax in the comfort of your own car while our trained technicians complete the services you request

#### Retail

**Mattie Elenore Designs**  
10% OFF Total Purchase On Mattie Elenore Items  
(use promo code coop10)  
We have some of the most distinctive items on the Internet

**The Li'l Flower Shop**  
5% OFF all Purchases  
417 Main St, Windsor  
(970)686-2400  
"I am hooked on this store! go check it out!" - FindItNow.com

#### Home

**Alpine Koi & Homescapes**  
5% OFF all Purchases  
2715 E. Mulberry, Ft Collins  
We have added Saltwater Corals and Fish to our store. Stop in and check them out!

**This Efficient House**  
5% OFF \$1000+ Jobs  
970-204-9931  
"We find and fix the problems that waste energy in your home or business!"

**B & J Locks, LLC**  
10% Off Invoice or 15% Off Online Purchases (Online:  
Enter code pvreacoop)  
970-381-0626  
[www.bandjlocksllc.com](http://www.bandjlocksllc.com)  
"We can duplicate most 'dealer only' keys."



### Coupons To Use Every Day

One of the most valuable features of the Co-op Connections card you received in December is the ability to print online coupons on your home computer.

As a Poudre Valley REA member you will have access to hundreds of online coupons that can save you money on items you buy every day from groceries to shampoo and even DVDs and dog food.

Visit [www.pvrea.com](http://www.pvrea.com) for all the details and a link to the coupons





## Continuing Work on PVREA Infrastructure Will Cost \$15 Million in 2011

Substations, Feeder Lines, Tie Circuits, Reclosers, Transfer switches. Some unfamiliar terms that are critical to keeping the power on at your house. All of which need constant maintenance and upgrading over the years.

It's easy to drive past all those power poles and transformers that make up the electrical grid and never give them a second thought. The grid is something that, it would seem, has always been a part of the landscape and seldom calls for our attention. But it is not the static, unchanging thing we might suppose. And it is always in need of attention.



Two line crews work to replace power lines with new, larger conductor on Vine Street near Fort Collins in January 2011

The electrical distribution system created by Poudre Valley REA members over the past 72 years covers 2,000 square miles and includes 3,600 miles of power lines and 29 substations. Substations are those collections of very large transformers you see enclosed in fencing. There are three more of these currently in the design and construction process on our grid, one near Longmont, one in north Fort Collins and the third near Red Feather Lakes. Adding and upgrading substations is only a part of the equation. Along with them come feeder lines and tie circuits that allow the system to react if one substation goes off line and, also, to ensure voltage remains even across the grid.

Obviously, being able to switch loads to another station if one should fail is important in keeping power on to every home. And, keeping voltage steady and uniform is important for the efficient operation of your household appliances and electronic equipment. We do this by undertaking a Voltage Drop Study. Our Engineering Services Department then analyzes the results of the study and recommends to the Board of Directors a Construction Work Plan to make improvements to the system. This year the Work Plan will cost \$13,913,300. In addition to that there is regular maintenance of other association assets that will require an additional \$1,215,600 for things like controls, switches, testing equipment, radios, computers and other items.

As you can see, all of the infrastructure improvement costs are another important element associated with delivering electricity to your home or business that go unnoticed. However, without these ongoing improvements the reliability and quality of the power delivered to you would not be as high or as affordable as you have come to expect from your co-op. Our goal will always be to deliver quality reliable service at an affordable price.

## Electrical Safety Can Save Lives

Each year, home electrical fires in the United States are responsible for over 500 deaths, 1,400 injuries, and more than \$1.4 billion in property damage. According to the Electrical Safety Foundation International, toasters and toaster ovens, alone, are the cause of over two thousand home fires each year. But fire is not the only danger. Thousands of children and adults are critically injured and electrocuted annually from accidents in their homes.

But now, new technology such as arc fault circuit interrupters (AFCI) and tamper resistant receptacles (TRR) are preventing tragedy before it ever occurs. Incorporating these recent advances in technology into your home can help reduce the risk of fires and electrocutions.

Arc Fault Circuit Interrupters (AFCI) – An AFCI is a new type of circuit breaker which recognizes fire hazards and immediately shuts off the power. The US Department of Housing and Urban Development's Healthy Homes report lists lack of AFCIs among

the primary residential hazards associated with burns and fire-related injuries. (Winner: Eugene Holoun)

Ground Fault Circuit Interrupters (GFCI) – GFCIs are special outlets that have saved thousands of people from electrocution over the last three decades. If GFCIs were installed in older homes, experts suggest that 70 percent of the electrocutions that occur each year in the home could be prevented.

Tamper-Resistant Receptacles (TRR) – Tamper-resistant receptacles feature an internal shutter mechanism to prevent small children from inserting foreign objects into them. These specialized outlets have been so effective in preventing injuries to children that the 2008 National Electrical Code requires that tamper-resistant outlets be installed in all newly constructed homes.

For a fun and informative tour of your home's electrical systems, and safety tips, visit the ESFI Virtual Home at this web address. <http://virtualhome.esfi.org/>