



Cost of Service/Rate Design Study shows Need for Change in Residential Service Rate Structure (Part III)

CEO Brad Gaskill

In my January and February articles, I reviewed how a Cost of Service and Rate Design study, prepared by a third-party consultant, is being analyzed to determine if our current rate structure is adequately and equitably recovering our costs while ensuring your association's long-term financial stability. As you may recall from my previous articles, the Cost of Service study showed our monthly residential facility charge is insufficient to cover the basic fixed costs required to provide you access to the electric grid.

Among the most important values of your member-owned electric cooperative are openness, fairness and security—everyone having the real facts, everyone paying their fair share and everyone being confident that we have the resources to protect your investment and meet your electric service needs in the future. Like any business, we need to make sure our prices match our costs so our rates are fair, based on facts, and set at a level that will allow us to provide reliable service to all consumers.

The Board of Directors and management team have held numerous discussions reviewing the study results and analyzing the consultant's recommendations in our effort to develop a new rate design and implementation plan. I would like to share with you the results of these discussions.

Currently our residential rate has a monthly facilities charge of \$14.50 and energy charge of \$0.08918 per kilowatt-hour (kWh) of electricity used. The study revealed our facilities charge should be approximately \$30 if we are going to truly recover our monthly fixed costs to serve our residential consumers. The study also demonstrated that if we more accurately recovered our fixed costs through the facilities charge, we could, at the same time, reduce our energy (kWh) charge, the variable component of your electric bill. Really, we are just restructuring how we recover our costs, more fairly and correctly, from the individual components of your electric bill.

Your Board of Directors realizes this is a significant change in how we propose to design our rates and collect our costs of service. After considerable study, lengthy debates and extensive deliberations the board is recommending we move the facilities charge to \$24.50 while decreasing the kWh charge by more than half a cent to \$0.08352. This restructuring in rates would result in all our consumers and rate classes more equitably sharing in the actual costs of service they impose on the association. The proposed residential facilities charge is a step in the right direction in adequately collecting our fixed

costs and in line with the fixed costs of basic service you pay other utilities in the area. If you look at your bill for telephone, internet, cable TV/satellite, water, sewer, etc. I believe you will find the fixed portion of those bills to be comparable.

While restructuring our rates is not an easy thing to do the Board of Directors and management is convinced it is the fair and right thing to do. Recovering our minimum costs for providing you access to the grid, through the facilities charge rather than through the kWh charge, has the benefit of making your utility costs more predictable. If these costs are recovered through the variable kWh charge and the weather becomes extremely hot or cold, your bill will swing sharply upward. Recovering our fixed costs through the facilities charge also reduces our risk of being dependent on weather extremes to collect our real costs of service each month. Additionally, recovering a significant portion of our fixed costs through the energy charge creates a disincentive for your association to provide and promote energy efficiency and conservation programs. Tying recovery of fixed costs to variable charges reduces our ability to recover those costs when energy is conserved and could potentially bring financial harm to your association.

We plan to hold several member information meetings throughout our service territory during the month of May. In these meetings we will further explain the study results, review our proposed new rate structure and solicit your input, comments and questions. The implementation date for the recommended and proposed new rate design is scheduled for July 1, 2011. Please keep a look out on our website, www.pvrea.com, and watch for notices in future editions of the Colorado Country Life magazine and your local newspaper for exact dates, times and places of these meetings. In addition, the rate consultant who authored the Cost of Service and Rate Design study will also be our guest speaker at this year's Annual Meeting held on Saturday, March 26.

We value you as a member and hope this information along with the regional member information meetings and annual meeting will be helpful to you in understanding what is needed to ensure you have reliable, affordable and fairly priced electric service.

I look forward to visiting with you again!

Brad Gaskill
CEO, Poudre Valley Rural Electric Association

Board of Directors Candidates Announced

District 2 – Position W – Weld County



James W. Park
Farmer
PVREA member
since 1968

I have served on the PVREA board of directors for nineteen years and held all the various officer chairs during this time. I own and

operate a Centennial farm which has been in my family for over 120 years.

I graduated from CSU in 1966 and taught high school vocational agriculture and biology at Flagler, CO.

I served in the Air Force Reserves as a medic from 1967 through 1972 and after an honorable discharge returned to the family farm. I farmed with my father until his death in 1986 and on my own since. I have taken several NRECA board education classes and am a credentialed director and board leadership certified. Other boards I serve on are Latham Ditch & Reservoir Company, Central Weld County Water District and the Weld County 4-H Foundation Board.

I have been married to Donna (CSU home economics 1966) for forty-four years. We have two grown daughters - - Jolene and Jessica.

Because electricity is no longer a luxury but rather a necessity in our daily lives, my basic principles in serving on the Board are to make certain the Association provides affordable, reliable and safe electric service. I support the Association's implementation of member energy efficiency programs to keep electric bills low as well as helping sustain a healthy environment. Your current Board of Directors are committed to this standard and I would appreciate your vote to continue this leadership.

BOARD EXPERIENCE:

Poudre Valley REA, Director, Past President, Vice President, Secretary-Treas., 1990 - Present

Latham Ditch Company, Director, Past President, 1981 - Present

Central Weld County Water District, Board Member, Past Secretary-Treas., 1985 - Present

Weld County 4H Foundation
Board Member, Past Vice President, 1988 - Present

District 1, Position L, Larimer County



Jan Peterson
Architect
PVREA member
since 1992

All costs associated with coal-fired power production are continuing to increase (average of 12% per year from 2004 to

2009), while all costs associated with renewable energy production continue to drop dramatically (40-50% drop in 2009 alone). Wind power generation is now hovering around "break-even" with coal power, and it doesn't take a rocket scientist to see where this is headed. Fiscal responsibility to co-op member/owners requires that we start, now, transitioning into clean energy technologies. As an architect, I have designed complex buildings and campuses of buildings, from hospitals to college masterplans. I understand how to deal with challenging new designs by organizing individual components into a composite of interconnected sub-systems that must all work together reliably as a seamlessly-integrated whole.

I would bring this "design of integrated systems" approach to bear on the issues facing Poudre Valley REA as we start to transition away from dependence on dirty coal and into clean renewable energy sources. This will be a long drawn-out process, since any development faces annual financial constraints as well as the time requirements of actual physical construction, so we must get started now.

I want this to happen in a way that benefits all co-op member/owners. I will work towards efficient and cost-effective distributed energy generation that can provide reliable income streams to members who install micro-generators, like wind turbines or PV systems. I will work for your best interests. Contact: 970-223-2400

BOARD EXPERIENCE:

Larimer County Chapter Rocky Mountain Farmers Union
Legislative Director, 2011 - Present

East-West Gateway Coordinating Council, St. Louis, MO
Past Chairman, Technical Planning Advisory Taskforce, 1976 - 1977

Sigma Phi Epsilon Alumni Board, Missouri Beta Chapter, St. Louis, MO, Past President, 1986 - 1990

Wildflower Ridge HOA Board, Ft. Collins, CO,
Past President, 1994 - 2001

District 3, Position W, Weld County



Jack R. Schneider
Farmer, Rancher,
Developer, Major
(Ret.) Colorado Air
National Guard-
PVREA member
since 1969

I have been on Poudre Valley REAs (PVREA) Board for nine years and currently

serve as president. I earned the certification for Board Leadership and Credentialed Cooperative Director by completing all the required classes for certification.

For the past two years, I served on the Colorado REA Board of Directors and I am on the legislative committee. I am also on the Board of Directors for the State-wide rural electric political action fund (CARE).

These nine years have been challenging and enjoyable serving on the PVREA board. I feel I helped keep the cost of electricity low and reliability high as we have grown to include new industries and green technologies.

I see new challenges for our Board in the future as we work to incorporate renewable green energy into our system along with clean coal-fired and natural gas electric generation while ensuring reliability and affordability are still present. We have seen large growth in our system over the last nine years in industrial and residential loads and will probably see that trend continue in the future. We must ensure new growth pays for itself and that we have the resources to maintain a reliable system for all.

I feel my knowledge and background bring a wealth of experience to the Board. I need your vote to continue working through the challenges ahead for our cooperative and I look forward to serving you as a PVREA Board member in the future. Vote for Jack R. Schneider in Weld County

BOARD EXPERIENCE:

Colo. Livestock Assoc. and Colo. Cattle Feeders Assoc.
Director, Executive Committee, Vice President
1985 - Present

Baldridge Subdivision HOA, Board member, Vice President, 2002 - Present

Weld County Adhoc Committee For Agriculture
Co-Chairman, 2001

Town of Severance Comprehensive Plan Committee
Co-Chairman, 2002

District 1, Position B, Boulder County



Robert A. Lock
Retired Mechanical Contractor
PVREA member since 1973

Having grown up on a farm in northeastern Colorado without electricity until the co-op supplied it in the

early 1950's, I really appreciate reliable and affordable electricity.

I am in my 6th year serving as a director of PVREA and am presently the Secretary-Treasurer of the board. I am also the PVREA representative to the Western United Board of Directors.

I have completed all of the classes for my Credentialed Cooperative Director and have received my certificate and am working toward my Leadership Certificate. I believe the experience of running my own mechanical contracting business for 16 1/2 years and being on the PVREA board for almost 6 years has served me well for being an effective director. I know what it is like to meet a payroll with my own money as well as how to work within a budget. I would like to continue being a director for another term. I have been retired since 2002 so I have the time to dedicate to PVREA as well as the experience needed to continue to help guide the co-op in the direction needed in these challenging times.

I would appreciate your vote. I am 110% committed to PVREA.

BOARD EXPERIENCE:

Big Elk Meadows HOA, Director, 1988 -1992

Poudre Valley REA, Director, Secretary-Treas., 2005 - Present

Western United Electric, Director, 2010 - Present

District 1, Position L, Larimer County



James A. Nutt
Life and Health Insurance Broker
PVREA member since 2005

After graduating from the University of Illinois with a BS in Agriculture, I continued graduate studies

at CSU in Student Personnel and Leadership. In 1970, I started in the life and group health insurance business in Fort Collins. I established my own insurance agency in 1977, and have been active in the Northern Colorado community since then.

I have served as a board member for organizations ranging from charitable foundations to professional organizations to youth sport groups, and have found that there are similar characteristics shared by all successful organizations -they listen to their membership, provide competitively priced services and products, provide for their employees, and plan for the future. In addition to being responsive to the needs of its members and to the environment that we all cherish, it is critical that PVREA maintain its excellent financial strength. Businesses are being challenged by all aspects of the economy, and PVREA must continue to set a solid financial roadmap for itself. I have had the opportunity to help many businesses and individuals throughout Northern Colorado plan for their financial futures while protecting and enhancing their current situation, and I feel that I can bring that same expertise to the Poudre Valley Rural Electrical Association.

Poudre Valley REA has a rich history of providing power to its members -both rural and urban. If elected, I will work to ensure that the Association continues to provide safe, reasonably priced and environmentally sensitive power to Northern Colorado. I would appreciate your support.

BOARD EXPERIENCE:

First Presbyterian Church Fort Collins Foundation
Director, Past President (two terms), V.P., Secretary, 1992 - Present

Northern Colorado American Amateur Baseball Congress, Founding Member, Past Pres., 1987-1999

Larimer County National Assoc. of Insurance and Financial Advisors, Board Member, Past President, V.P., Secretary-Treas., Nat'l Committeeman, 1970 - 2006

Ft. Collins Sertoma Club, Board Member, 1981- Present

District 1, Position B, Boulder County



Steve Szabo
Organic Grower,
Clean Energy Advocate
PVREA member since 2003

After serving in the U.S. Navy, including one tour in Vietnam, I worked in the telecommunica-

tions industry for 28 years. There, I specialized in protection, maintenance, restoration and disaster recovery of national telecommunications facilities for the AT&T and Qwest networks. As a senior manager with Qwest, I led the effort to restore telecommunications services in New York City following the 9/11 disaster.

In 2002 I left the telecommunication business and bought property in Boulder County, so I could begin farming and working on clean energy legislation. Currently I serve on the Board of Directors of the I Have a Dream Foundation, which helps at risk youth to complete high school. I also serve as Chair of the Board for Grow Your Own Meal, a nonprofit which aims to stimulate local agriculture and to create jobs in a Clean Tech environment.

Being responsible for telecommunication maintenance, restoration and disaster recovery for most of my professional career, I know the importance of uninterrupted utility service. If elected to the PVREA board, I will concentrate on improved reliability, rate stabilization and customer service. I would also help to develop strategies to aggressively pursue energy efficiency programs and to promote the use of renewable energy. Both of these efforts could be cost effective to PVREA members and increase system reliability and diversity.

I have attended PVREA board meetings since 2005 as an actively concerned member, in order to gain knowledge of the PVREA organization and prepare myself to serve effectively on the board.

BOARD EXPERIENCE:

I Have A Dream Foundation of Boulder County, Director, 2004 - Present

PV-Pioneers, Director, 2007 - Present

Grow Your Own Meal, Director, Board Chair, 2010 - Present

Election For Board of Directors Is This Month

As a cooperative, Poudre Valley REA is governed by democratic principles. Every consumer is also an owner of the co-op. The Board of Directors is chosen by the membership and that means YOU. Every spring the association holds an annual meeting and an election for the Board of Directors. PVREA has hired an outside accounting firm, Survey and Ballot Systems of Minnesota, to collect the ballots and oversee the voting results. Ballots will be mailed to the membership on March 1, 2011. Ballots must be mailed directly to SBS in the return envelope provided. **Do not send your ballot to PVREA.** You may also cast your vote in person at the annual meeting on March 26. Your official ballot will include information about each candidate running for the Board. This information is also published on the preceding pages of this month's *Colorado Country Life*.

Bring the Family for Fun, Food and Excitement at the Annual Meeting and Celebration

Help us celebrate the 72nd Anniversary of Your Co-op at the **Annual Meeting** of the Poudre Valley Rural Electric Association on **Saturday, March 26**, at the Embassy Suites Hotel and Conference Center 4705 Clydesdale Drive, Loveland, Colorado.

There will be a huge **Play Room for the Kids** with Wii games, a Balloon Artist, Face Painting and more. Licensed care providers will be on duty to supervise children during business reports and voting during the meeting.

A hot sumptuous brunch will be served at 9:00 A.M.

Information booths will be on site including the **Rocky Mountain Raptor Center** and **Prizes** awarded will include Wii game systems, HDTVs, Apple iPads, iPods, digital cameras and much, much more.

Registration will be open from 7:30 A.M. to 9:30 A.M. in the John Q. Hammons Conference Center.

Reports on the state of the association will be delivered and voting for four board member positions will be conducted.

Watch for your official notice and RSVP form in the mail. Then join us on March 26. It's more than a meeting. **It's an Event!**

