




BEARTOOTH CONNECTS

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 FEATURE STORY

Rate Design Changes Under Consideration—What & Why

By Arleen Boyd & Bill Pascoe, Risk Management Committee Co-Chairs

Rates are the charges that appear on your monthly bill from BEC. Rate design is the process of setting those charges. As part of the board's bi-annual strategic planning session in both 2017 and 2019, rate design was identified as one of three high priority issues. Since October 2018, the Risk Management Committee, supplemented by a small group of interested members, has been evaluating different rate design options. These deliberations led to a set of committee recommendations to BEC's Board in December 2019. The Board is currently considering those recommendations with decisions expected in the Spring of 2020.

You will be hearing a lot more from BEC about rate design in the coming months, in this article, we will focus on one of the most impactful recommendations: to transition Residential and Small Commercial accounts from a 2-Part Rate to a 3-Part Rate.

BEC's Board is considering rate design recommendations presented by the Risk Management Committee. Decisions are expected in the Spring of 2020.

incurred and recovered creates risk for both the member and the cooperative.

Residential and Small Commercial rates are especially susceptible to this risk. Not only are rates not typically in alignment with costs, but sales to these rate classes are also subject to substantial volatility related to weather, economic conditions, conservation, and energy efficiency. Members particularly feel this with those bill spikes encountered in extreme weather, both hot and cold.

Historically, BEC has billed Residential and Small Commercial accounts with a 2-Part Rate.

The monthly Base Charge used to collect Base Costs and a portion of the System Costs, and the Energy Charge used to collect the power and transmission costs and the remaining portion of uncollected System Costs.

The implementation of a 3-Part Rate would add a third component to the bill called the System Charge. This System Charge would collect a portion of the System Costs currently

collected in both the Base and Energy Charges. The System Charge would be based on each member's maximum 15-minute draw on BEC's distribution system during the month. Breaking out the System Costs as a separate charge is logical as it reflects the proportionate load each member places on BEC's distribution system.

A primary objective of good rate design is to allocate the co-op's costs fairly among the membership. A 3-Part Rate will help meet that objective.

The combined charges of the 3-Part Rate would be designed to produce the same amount of total revenue for the co-op as the current 2-Part Rate. The revenues generated from the System Charge would be offset by reductions in both the Base and Energy Charges. Reducing the Base Charge would help to address member concerns expressed over

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What is a 3-Part Rate?

BEC's costs can be grouped into three charge categories:

1. **Base Charge:** Includes the costs related to serving each account, such as metering and billing, and overhead for managing the co-op's business.
2. **System Charge:** Includes the costs related to building, owning, operating, and maintaining BEC's electric distribution system, as well as system depreciation.
3. **Energy Charge:** Includes the costs BEC incurs to purchase wholesale power and have it delivered across NorthWestern Energy's transmission lines to BEC's substations.

In contrast to its cost structure, the majority of a distribution cooperative's revenue stream comes through variable charges (i.e., energy (kWh) charge) versus fixed charges (i.e., base and system charges). This mismatch between how costs are

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Commitment to ZERO Contacts

Bill Statement Example

Monthly Bill Comparison "Typical" Residential Account

Energy: 812 kWh and 15-Min Max Demand: 5.2 KW

	Current 2-Part Rate		Possible 3-Part Rate	
	Rate	Charge	Rate	Charge
Base Charge (\$/month)	\$ 33.50	\$ 33.50	\$ 30.00	\$ 30.00
System Charge (\$/KW)	\$ -	\$ -	\$ 2.00	\$ 10.40
Energy Charge (\$/kWh)	\$ 0.08877	\$ 72.08	\$ 0.08025	\$ 65.16
Total Bill		\$ 105.58		\$ 105.56

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the years about the amount of the Base Charge and its disproportionate impact on small users.

For a "typical" or "average" member, the total monthly bill should be the same (see the example above). However, some members would see slightly higher bills, and some would see slightly lower bills based on how much power they consume and their maximum draw on the distribution system.

Why a 3-Part Rate?

A 3-Part Rate would be a significant change for BEC's Residential and Small Commercial accounts. But this concept is not entirely new to BEC or the utility industry. BEC's Large Commercial, Industrial, and Irrigation accounts have been billed using a 3-Part Rate for many

years. Additionally, in recent years, four other Montana co-ops have successfully implemented a 3-Part Rate for their residential and small commercial accounts.

Member feedback on BEC's rate design is encouraged. Your input can be provided by attending Risk Management Committee and Board of Trustees meetings (dates and times are posted on BEC's website at www.beartoothelectric.com), by emailing the co-op at bec@beartoothelectric.com, or by contacting General Manager Kevin Owens at 406-446-2310, or any member of the Board of Trustees (contact info posted on the website under Board of Trustees). BEC's Bylaws require a formal Member Notice be given to members at least 30 days prior to a Board vote on any change to rates. Member Notices are mailed to each member at their billing address on file and included in all BEC media. ▲

THE DIFFERENCE A DEGREE MAKES

A small thermostat adjustment will provide big savings on your home heating

Energy experts tell us we can reduce home heating costs by two percent for every degree we lower our thermostat. For example, if your thermostat usually sits at 73°F in the winter, put on a sweater and try lowering it to 68°F, and you could save roughly ten percent on your home heating costs. Drop the setting even lower at bedtime, and you'll save that much more.



Thermostat Reminder

Your heating system works harder when the outdoor temp drops. Adjust your thermostat to the lowest comfortable setting.

General Manager's Message:

We are just months away from our Annual Meeting. Before you know it, we'll be getting together to talk about all things Beartooth Electric. We have a great theme this year; Affordable, Reliable—Energy by Design. They are more than words and a catchy phrase to me. As our industry changes, I get excited about BEC taking actions to ensure you have affordable, reliable energy by design well into the future. We are a technology-driven cooperative that continues to strive for improved operating efficiencies to keep costs under control.

We have taken charge of change in our industry. However, its, change by design and will remain our focus. Some of the changes will be subtle, others are more profound.

We have completed our meter upgrade project, which brings significant value to the services we offer members. It's the backbone of our technology infrastructure. Staff is currently implementing our Outage Management System (OMS), which will tell us more about outages when/where they occur and provide

more communication paths to you regarding the outage and restoration. We couldn't have implemented this without the new metering infrastructure in place.

All of our line crews now carry iPads that are synced with critical information and technology to better provide information to them while working across our service area. We have improved software to manage our people, projects, system maintenance, and reliability. More recently, we updated our website to improve member access to SmartHub and everything relevant to Beartooth Electric activities. Initial feedback has been extremely positive.

Our rate design initiative is also very technology-driven to help us better align costs to members within a rate class.

Stay tuned for other great updates at BEC. We're off to a great new decade!



By Kevin P. Owens, PE
BEC general manager

Commitment to Safety



We Pledge

**Beartooth Electric
Cooperative**



"We Commit To Zero Contacts."



FEDERATED RURAL ELECTRIC
INSURANCE EXCHANGE

"Stay safe." It's a phrase we hear all the time. To some people, it has a special meaning, especially when they're on the job. It means coming home at night to loved ones, whole and unharmed.

To lineworkers who face danger daily working with electricity, it means focus, preparation, and following some simple steps to avoid pitfalls.

Our Commitment

A new effort called "Commitment to Zero Contacts" launched in 2018 by the National Rural Electric Cooperative Association and Federated Rural Electric Insurance Exchange to help eliminate serious injuries, fatalities and enhance cooperative safety programs.

When General Manager Kevin Owens signed the pledge for BEC, he committed the cooperative and its employees to the following work practices and ideas:

- Use life-saving rules:
 - Personal Protective Equipment (gloves and sleeves).
 - Application of personal grounds.
 - Application of proper insulating material.
 - Proper use of clearance procedures.
- To "speak up" and not accept, or walk by, a shortcut to safe work.
- Slow down and perform effective job planning on all work assignments.

The cooperative has an active safety program in place, and the zero contacts initiative reinforces it. Employees have discussions before every job to review their approach. They attend training locally and at the statewide level, and they have a safety committee.

Our members have a place to help our workers come home safe too. Ensuring generators are correctly installed with a "double-throw switch" to prevent back feeding is critical (if you have a generator, please call the office to schedule a complimentary safety check). Staying attentive and slowing down when you see 'Utility Work Ahead' signs helps too. If you see crews working, please don't approach them to avoid dangerous distractions.

Keeping the community safe

Because we live and work in the community we serve, we care about our neighbors. BEC conducts electrical safety demonstrations in schools.

According to the Electrical Safety Foundation, each year thousands of people in the United States are critically injured and electrocuted as a result of electrical fires, accidents, and

electrocution in their own homes. Many of these accidents are preventable. There is much you can do to keep yourself and your community safe around electricity.

Don't attempt electrical projects yourself or overload your outlets. Report downed power lines, unlocked substations or padmount transformers that look amiss.

If a power line falls on your car, stay in it unless a fire or other emergencies cause you to exit. If you must exit, shuffle your feet or hop with them together.

If you would like us to provide a safety demonstration at your school or community event, please contact BEC at 406-446-2310.

Pause and take the extra time to plug into safety.

Electricity safety training at Luther School with BEC field instructor Jake Wright.



Affordable, Reliable—



ENERGY
by
Design

Save the Date:

**Saturday,
May 2, 2020**

*83rd Annual
Member Meeting*

**ANIPRO Event Center
Absarokee, Montana**

8:00 AM Registration

9:00 AM Business Meeting

Noon Luncheon

Elections • An Incredible Keynote • Door Prizes

Board of Trustee Nominations for Districts 1, 3 & 7

Deadline:

March 13, 2020

Represent your District and all members on the BEC Board of Trustees.

The nomination deadline is March 13, 2020. Elections take place at the 83rd Annual Member Meeting, May 2, 2020, at the ANIPRO Event Center, Absarokee, Montana.

Visit www.beartoothelectric.com today for details and download the Nomination Petition. Click on ANNUAL MEETING on the home page. Petitions also available from the BEC Red Lodge Office.



**ENERGY EFFICIENCY
Tip of the Month**

Got leftovers? Let them cool first!

Placing hot food in the refrigerator makes the appliance work harder than necessary, using more energy. Allow food to cool down before you place it in the fridge.

#saveenergy



Source: energy.gov

THE OFFICE

East Rosebud, Roscoe, Montana

Photo By: Jimmy Grooms, BEC apprentice



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