

E L E C - O - N E W S

Upshur Rural Electric will be closed on Monday, December 26th for Christmas and on Monday, January 2nd for New Year's Day. As always, we will have employees on call should the need arise.

On behalf of all our employees and Board of Directors,, we would like to wish you and your family a very

Merry Christmas and a Happy New Year!

**Retirement of Capital Credits this Month**

The Upshur Rural Electric Cooperative Corporation Board of Directors is pleased to announce the retirement of over \$2,146,564.15 in capital credits to the members and a refund check will be mailed in early December.

After all operating costs have been paid for the fiscal year by URECC, any money left over is returned to the members in the form of capital credits. In other business organizations, the left over money would be called profit. Because URECC is a not-for-profit business, the proper term is "margins". Capital credits are each member's share of URECC's margins in proportion to the amount paid for electricity. In other words, they represent your share of equity or ownership in the cooperative. However, capital credits are not cash in the bank. Your balance of capital credits is used to meet URECC's capital improvement and expansion needs before seeking additional loan funds and paying interest on these borrowed funds. They are invested in the poles, wires, transformers, plant and equipment that provide you with electric service. Your capital credits are used wisely to keep the cost of electricity as low as possible and the quality of your service as high as possible. Once these goals are met, the decision to retire capital credits is made by the URECC Board of Directors.

Members Helping Members

You can help your neighbors who may get behind on their electric bills due to extreme temperatures during the summer or winter months. State and private agencies that provide utility assistance are low on funds to help these individuals. Capital credit checks will be mailed out in December, and you may opt to have your money donated to the agencies that help Upshur Rural members in the county in which you live. You can make this a one time donation or you may choose to have all future years' capital credit retirements donated. For more information, contact one of our member service representatives.

Ask the General Manager

Submit your question to Mr. Rob Walker, our General Manager at ask@urecc.com and he will select a question and address it in the following months' newsletter.



What is the Consumer Charge on my bill?

Occasionally members ask questions concerning what the various charges applied on a bill and how are my rates determined. In a recent **Ask The GM** article, the PCRf charge was discussed. Another line item on the bill that sometimes gets questions is the Monthly Service Charge. Before discussing a Monthly Service Charge and its function on the bill, first consider a couple of wider ranging issues about how charges are derived.

In a bigger picture view of the overall structure of charges, the rates are typically established through an independent cost and rate study. The study is typically performed to determine what costs the Cooperative is incurring at that time to establish or re-establish the various bill components like the base energy charge or any other charge in a rate. As noted in the prior PCRf discussion, *"Upshur Rural Electric Coop, as a cooperative, is a non-profit entity...[and] recovers the cost to install, operate and maintain a base service extension to every member, a backbone transmission and distribution system for delivery, [and] overhead"*. The process of establishing or re-establishing rate charges to recover these costs to the Cooperative occurs in a study process called a Cost of Service Study (COSS). The COSS is typically performed by an experienced, independent third-party. The entity performing the study considers the costs incurred by the Cooperative for each rate class the Cooperative serves. Rates are then established or re-established to recover these costs for each class. The COSS is the mechanism to set these rates.

Generally, the key cost components of the Cooperative are apportioned in either a 1) business costs such as for example trucks, employees, inventory, vehicle fuel, owned property, overhead, taxes and depreciation, or in 2) the electric system which may include for example distribution wire, poles, rights-of-way, transformers, service wires, local transmission lines and substations, along with other capital items, or the costs lie 3) in the power supply by the COSS. The first two components comprise the whole costs of installing, operating, and maintaining a base service extension, and the backbone delivery of the distribution/transmission system plus overhead. For the power supply it is itself broken into three components demand costs (the actual steel/concrete to generate energy), energy costs (basically generation fuel like coal or natural gas), and in regional transmission costs (think of a transmission region which runs from Minnesota to Texas delivering all the generation tied into it). So the COSS takes all three key components and assigns total responsibility for them proportionately to each class of member- the residential class, along with the various commercial, industrial and lighting classes of customers. These key cost components thus make up the rate based on the assigned key components.

The Monthly Service Charge, or Base Charge as it also may be called, is an integral part of the overall rates of the Cooperative. The Monthly Service Charge is assigned all of the Business Costs including overhead plus a bare minimum Distribution System service component to serve the individual class consumer. That assigned total becomes the Monthly Service Charge for the respective class of member. In the instance of residential rates the remaining energy charge then inherits the remaining Distribution System charges plus the generation fixed and energy charges which are charged on a per kWh unit cost to residential members. So the Monthly Service Charge is part of the overall recoupment of costs to serve a certain class customer. Therefore the Monthly Service Charge is not a surcharge to pay for some special approved cost but rather an overall part of the Cooperative's total cost to serve.

