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BOARD OF DIRECTORS

Lou Costello, president
District 7 [at large]

Chris Morgan, vice president
District 2 [Mt. Crested Butte]

Paul Hudgeons, secretary/treasurer
District 5 [Lake City]

John Vader, assistant secretary/treasurer
District 6 [Gunnison East/Sargents]

Greg Wiggins, director
District 1 [Crested Butte]

Bart Laemmel, director
District 3 [Ohio Creek/Almont]

Steven Schechter, director
District 4 [Gunnison West/Powderhorn]

NEWSLETTER EDITOR
Vicki Spencer



Touchstone Energy®

Cost-of-Service Study and Rate Design

BY MIKE WELLS || CHIEF EXECUTIVE OFFICER || GCEA@GCEA.COOP

We are all aware of price increases every time we go to the grocery store or pull into a gas station. With most products, one thing is closely tied to another. For example, when gas goes up, transportation costs increase and prices in the grocery store rise. Every industry must cover the cost of providing its products and services, and each industry's cost adjustments will impact another's. It is like the old saying, what goes around comes around.

Gunnison County Electric Association is no different when it comes to the ever increasing cost of doing business. We strive to bring you reliable electric service at reasonable rates, and we are pleased that we have been able to keep your energy costs unchanged since 2009. Unfortunately, rising wholesale power prices from our supplier and increases in the cost of other products and services we use have forced us to take a new look at our costs and how they relate to what we charge our consumers.

Among the most important values behind the concept of a not-for-profit rural electric cooperative is a sense of dependability, openness and fairness, with everyone having access to accurate information, everyone paying their fair share and everyone being confident that we have the resources to protect their investment and service their needs for 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 everyone.



Mike Wells

Additionally, because we needed to know our true costs, GCEA began a study to determine what it actually costs to serve the different classes of electric load — i.e. residential, commercial, industrial or outdoor lighting. While everyone needs the basic power

poles or underground lines for electric service, other requirements vary depending on the rate class, type of consumer and type of electric load.

With this in mind, we hired a utility expert to conduct a cost-of-service study. The study took all of GCEA's actual expenses for 12 months, ending December 31, 2009, and allocated them to the various classes of consumers based on such things as usage patterns, equipment necessary to provide service and types of service. The study then looked at our prices for each type of consumer and type of service to see if they correlated.

Currently, much of the cost of facilities and equipment to provide consumer access to the electric grid is recovered through the per-kilowatt-hour energy charge. The monthly service availability fee on your bill is a charge for a portion of the cooperative's physical facilities, such as poles, wire, transformers, service drops and meters, and is intended to recover the cost of the minimum amount of equipment that is necessary to provide a consumer with access to the electric grid.

Based on the cost-of-service study, our current service availability charge does not come close to covering [continued on page 8]

Cost-of-Service Study

(continued from page 7)

the fixed cost of providing the minimum amount of equipment necessary for a consumer to access the electric grid. Everyone shares the costs of our facilities because the system operates as a whole and providing reliable service to everyone is what a cooperative is all about. Additionally, as a rural electric cooperative, we cannot spread our fixed costs over as many consumers as other utilities, particularly those in urban areas. The following chart shows why it costs us more per consumer than urban utilities using the cost of a distribution line (the wires that go down your road and eventually to your home or business) as an example:

UTILITY	COST/MILE OF OVERHEAD DISTRIBUTION LINE	CONSUMERS/MILE	AVERAGE COST PER CONSUMER
Investor owned or Municipal Utility	\$35,000	37	\$946
GCEA	\$35,000	9.5	\$3,684

In our rural area, we simply do not have as many consumers to share the costs of these facilities, but still need the facilities to provide everyone with the same quality of service.

If you look at other utilities and services providers and what they demand for basic charges, our request to adjust the residential service availability charge is not out of line. This is illustrated in the table below.

SERVICE PROVIDED	MONTHLY CHARGE
Satellite Network TV (everything package)	\$99.99
Basic Digital Cable	\$67.49
Basic Internet	\$49.95
Telephone (residential)	\$42.10
Water/Sewer	\$31.97
GCEA Proposed Rate	\$22.50

Why does it matter that our rates for facilities and energy match the actual costs? Why is it important to separate them? It is simply an issue of fairness. If the service availability charge is too low and energy rates are too high, consumers

with low usage are really not paying their fair share of the cooperative's fixed costs for the distribution and general plant that are needed to provide service. If the service availability charge is too high and energy rates are too low, consumers with higher usage are really paying too much of the cooperative's fixed costs.

Our board believes that we need to adopt a rate design that is more equitable with all consumers paying their fair share of the facilities used to serve them. Our experience is that members who most frequently question the service availability charge are people with a second home or a cabin in the mountains. These members may not have an opportunity to visit or spend much time at their vacation home.

Therefore, their consumption is typically low and they only want to pay for the energy that they use while they are there. It is hard for them to understand that our fixed costs are directly related to the utility plant in place that is required in order to serve them regardless of whether the dwelling is occupied one day a year or every day of the year. Such things as the distribution lines and equipment costs, along with property taxes, insurance, meter reading, monthly billing, line maintenance, line locating services and consumer services are all ongoing costs and must be recovered in a fair and equitable manner.

As a nonprofit cooperative with a commitment to offer the same quality of service and fair rates to everyone, we plan to revise our rate structure to reflect these facts. This will result in increasing the service availability charge (and the demand charge for the larger consumers that pay a demand charge). Seasonal rate classes that were paying less than their fair share of the physical plant and facilities of the cooperative will be adjusted to pay a charge that comes closer to match-

NOT-FOR-PROFIT RURAL ELECTRIC CO-OP VALUES: A sense of dependability, openness and fairness, with everyone having access to accurate information, everyone paying their fair share and everyone being confident that we have the resources to protect their investment and service their needs for the future.

ing the actual costs. Our cost-of-service study shows that the service availability charge for the residential class should be in the \$30 plus range. The board of directors is looking closely at how far we want to adjust the service availability charge. Currently we are at \$16 per month for the general service residential service. Management is recommending an increase of \$5 to \$7 for the board's consideration, and this will be the first step in getting the service charge closer to the actual cost of service.

It is worth noting that when the cooperative is recovering a significant amount of the fixed cost of physical facilities through the energy charge, any effort by the cooperative to help consumers reduce their energy usage also reduces fixed cost recovery by the cooperative and harms the cooperative financially. We want to aggressively work with our consumers to help them save energy, and recovering the fixed costs of our physical facilities through the service availability charge will allow us to do so without financially harming the cooperative. This way, the incentives for both the consumer and the cooperative are aligned in favor of promoting energy efficiency.

Due to increased costs in our purchased power and increasing operating costs in general, it is necessary to adjust rates. Using the information from our cost-of-service study and looking at our financial forecast, the GCEA Board of Directors discussed the timing and amount of the rate adjustment. We will be proposing new rates effective October 1, 2011.

We value you as a cooperative member and hope this information is helpful to you in understanding what is needed to ensure you have reliable, affordable and fairly priced electric service.

GCEA BOARD ELECTS NEW OFFICERS



President
Lou Costello



Vice President
Chris Morgan



Secretary/Treasurer
Paul Hudgeons



**Assistant Secretary/
Treasurer**
John Vader

GCEA WELCOMES JEFF STANLEY TO OUR TEAM

If you have visited our headquarters building recently, you have probably been greeted by Jeff Stanley, our new cashier/receptionist. A native of Kansas City, Kansas, Jeff



moved to Gunnison in 1999 to attend Western State College. Like so many students he decided to make Gunnison his home after graduating in 2003.

Jeff put his business administration degree, with an emphasis on entrepreneurship, to use in the local recreation industry. He has worked at the Almont Resort and has experience as a rafting and snowmobile guide. After a brief foray back East where he tried working for a large corporation, Jeff realized that the West is where he belongs. He is enthusiastic about working with all the friendly people at GCEA, and we feel fortunate to have someone of his caliber joining our team.

Control Stray Voltage on the Ranch

You've heard of stray animals, but what about stray voltage? Stray voltage results naturally from a safely grounded electrical system. It becomes an issue only when it reaches a problematic level.

WHAT IS STRAY VOLTAGE?

Low level voltages present across points in which a current flow is produced when an animal simultaneously comes into contact with both points.

A damaged grounding system, poorly installed electrical equipment (such as electric fencing) or, sometimes, a failure in the local distribution system can contribute to stray voltage.

Farm animals can be at risk of stray voltage, which is defined by the U.S. Department of Agriculture as "low level voltages present across points in which a current flow is produced when an animal simultaneously comes into contact with both points." The electrical code requires that the grounded conductor of all farm electrical systems be connected to barn metal, including water lines, according to the Midwest Rural Energy Council.

If a cow, for instance, comes in contact with two surfaces with a voltage difference between them, a weak current may flow

through the cow. This can cause problems if the voltage is high enough for the animal to feel, as behavioral changes may result: nervousness, diminished feed or water intake or avoidance of certain areas.

Thanks to the laws of physics, stray voltage is impossible to eliminate, but a correctly installed and maintained electrical system can keep voltage low, at a level that will not harm animals.

Stray voltage can be measured using voltmeters and ammeters. Scientists have developed testing methods that measure maximum exposure level and identify sources of stray voltage. If you think you are experiencing excess stray voltage, notify your electrical provider. Many provide testing and consultations and can help you correct conditions that create stray voltage.

[employee anniversaries]

Brian Muth	engineering technician 5 years
Ron Copenhaver	Gunnison journeyman lineman 11 years
Chris Schodorf	system administrator 6 years

congratulations!
we value our employees

Old Homes Don't Have to Be Shocking

Old homes are charming and unique, but also sometimes underprepared to deal with the incredible growth in electricity demand that is a hallmark of modern life.

Fifty percent of U.S. homes were built before automatic coffee makers and electric garage door openers became popular. One-third were built before hair dryers and electric can openers came into use.

This doesn't even include the oldest homes, built before electric lights and kitchen appliances became commonplace, and it certainly doesn't take into account all the gadgets and gizmos that make modern life modern.

If your house is old, be aware of the dangers inherent in imposing a new lifestyle on old wiring. Updating your electrical system is the best course of action, but many electrical fires, shock hazards and electrocutions can be prevented if you know the warning signs and take steps toward safety.

Outlets and switches should never feel hot. A warm switch plate or outlet can indicate an unsafe condition. Cracked or broken receptacles and faceplates should be replaced immediately. If you hear a buzzing or sizzling noise from an outlet, shut off the current and call a licensed electrician.

One common issue in older homes is a lack of outlets. Constructed when the demand for electricity was much less, some old houses were never updated and thus don't have wiring capable of handling modern needs.

A modern home's kitchen may be equipped with several convenient outlets, making it easy not to overload any one outlet. However, an old home without updated wiring may have only one outlet by the counter, which is easy to overload with adapters and extension cords to connect a coffee maker, toaster and other small appliances. Although upgrading your home's wiring can be expensive, it's cheap when compared to the alternative: courting the risk of fire or electrocution.

A simple way to increase safety is to unplug whatever you're not using. Compared to the risk of fire or electric shock, unplugging is effortless and costs nothing, allowing you to plug in what you need with peace of mind. Weigh the small convenience against the greater risk.

Short of rewiring the entire house, smaller steps can be taken to safeguard outlets. There are developments in outlet safety, such as ground fault circuit interrupters, tamper-resistant outlets, sometimes known as tamper-resistant receptacles, and arc fault circuit interrupters.

GFCIs are usually installed in outlets near water. They guard against electric shock and electrocution by monitoring current that flows through a circuit. If any loss of current is sensed, they switch off the power to that circuit. In TROs and TRRs, spring-loaded cover plates close off unused receptacle slots to keep kids safe from the shock created by inserting household objects like silverware into outlets. AFCIs replace circuit breakers. They have a higher capability to prevent electrical fires than circuit breakers. An AFCI senses hazardous arcing and shuts off the electricity before a fire can start.



Older homes can be charming, but often need electrical upgrades.

You can also boost safety simply by paying some attention to your appliances.

In the kitchen, cords like those for toasters or electric grills mustn't come into contact with excessive heat, which can damage them, and appliances should never be placed near the sink, as water conducts electricity and thus is a shock hazard.

In the bathroom, remember to unplug things like hair dryers, electric shavers, curling irons and radios when not in use. Never set a plugged-in appliance on the edge of a tub or sink.

Elsewhere in the house, avoid fire risk by ensuring that portable heaters are not placed near drapes or bedding or anything else that's highly flammable. Be aware that electronics, such as computers, must have adequate ventilation. Don't set them too close to a wall, and remember to unplug them before dusting and vacuuming vents.

In the utility room or basement, look at the fuse or breaker box. Are the circuits all clearly labeled? They should be. Properly labeled circuits can be a crucial time-saver when you need to quickly shut off current to a certain area or room.

Make sure family members know where the box is and how to turn off the power. Frequently having to reset tripped breakers can mean the circuit is overloaded, such as when running a microwave off the same outlet as a refrigerator, and is a reason to consult a licensed electrician.

A TANGLED WEB OF CORDS POSES A SAFETY CONCERN

Those cords sprouting from your electric outlet are more than just unsightly. They could indicate a fire hazard. Is your outlet struggling with more than its circuit can handle? Look for these common indicators.

- **Hot elements:** Is the cord, faceplate or plug hot? The outlet is overloaded.
- **Do you receive a shock** when touching an appliance or outlet? You have reason to worry.
- **Are lights flickering?** This can indicate an overloaded outlet, as can a wavering screen on your monitor or television.

If any of these conditions are present, unplug something and call a licensed electrician for an estimate on upgrades or repairs to your home's wiring.