



# Clinton County Connection

Your Touchstone Energy® Partner 

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## Cooperatives Drive Democracy

By Adam Schwartz

It has often been said that those who cannot remember the past are condemned to repeat it. It is easy to take our right to vote for granted, maybe because there are so many opportunities to exercise that right. There are national, state and local elections for political offices. Then there are elections for social or other civic organizations. If you own stock, you are asked to vote in those elections. So it is understandable to see how “election fatigue” can take hold.

As we head into the final stage of what has been a divisive national election, it is a good time to remember that elections don't have to be about name calling and bitterness. Cooperatives can *and do* play a role in cultivating a civil society where people can practice democracy at the local level. As a member of Clinton County Electric Cooperative, you have the right to run for the board of directors. Even if you choose not to have that level of participation, you should feel empowered to reach out to current board members and candidates.

The beauty of belonging to a cooperative is every member has a voice, but you must use that voice if you want to be heard on the issues that matter to you. In



their document, “A Blueprint for a Cooperative Decade,” the International Cooperative Alliance, a global organization made up of cooperatives from over 100 countries, identified member participation as one of the five key ingredients for a cooperative to be successful.

Voting and being actively involved in the affairs of the cooperative are key ways in which members can participate. Take the time to get to know candidates running for Clinton County Electric's board. Seek out ways you can help spread the word about the good work your cooperative is doing.

The cooperative business model is a great one. It fosters engagement and creates strong communities. Over 100 years ago, President Theodore Roosevelt recognized

this value when he said, “The Cooperative is the best plan of organization. Under this plan, every business is [governed by a board], every person has one vote and only one vote. Everyone gets profits based on their use of the co-op. It develops individual responsibility and has a moral as well as a financial value.”

Those words are truer today than ever before. Let your voice be heard, and take the time to participate in all the elections.

*Adam Schwartz is the founder of The Cooperative Way, a consulting firm that helps co-ops succeed. He is an author, speaker and member-owner of the CDS Consulting Co-op. You can follow him on Twitter @adamcooperative or email him at aschwartz@thecooperativeway.coop.*

# Cost of Service Based Rates

Last month you were promised a column on Cost of Service Based Rates. We'll start our discussion here and finish it in an upcoming issue.

We determine Cost of Service Based Rates by analyzing a comprehensive study that was performed by a third party. This Cost of Service Study is composed of three separate studies, including:

- Revenue Requirement Study
- Rate Study
- Rate Design Study

## Revenue Requirement Study

In a Revenue Requirement Study, we determine if the revenues we receive from the membership are

enough to ensure the cooperative's financial stability. The cooperative needs enough revenue from the membership to cover a number of items, including:

- Operating expenses
- Purchased power expenses
- Line materials and contractor costs
- Depreciation expenses
- Interest expense and principal payments

The cooperative tries to target Operating Margins (known as profits in other industries) somewhere in the range of \$300,000 to \$500,000 annually. The study concluded Clinton County Electric will earn \$494,223 of Operating

Margins (see line #8 of the column entitled "Total" below), which indicates our revenue structure is appropriate for our cooperative.

## Rate Study

This study analyzes our rates to make sure each rate category, or schedule, is paying its "fair share." Clinton County Electric has 10 rate schedules. The study compares the revenue generated by each rate to the expenses we incur providing service.

As you see from line 13 of Table 1, Clinton County's Operating TIER goal (industry shorthand for financial sustainability) is 1.72 (gray highlighted area

Final TIER Operating Summary							
Clinton County Electric Cooperative Inc. For the Test Period Ended December 2015							
Line	Description	Total	Residential/ Seasonal	1-Phase Commercial	3-Phase Commercial	3-Phase Med Power	
1	Operating Revenues	\$16,892,886	\$9,986,406	\$1,160,698	\$768,435	\$595,833	
2	Operating Expenses	\$15,684,489	\$9,229,351	\$1,051,279	\$702,886	\$558,148	
3	Return (L1-L2)	\$1,208,396	\$757,055	\$109,419	\$65,549	\$37,685	
4	Interest on LTD	\$683,247	\$470,302	\$46,679	\$35,339	\$18,804	
5	Interest - Other	\$30,926	\$21,288	\$2,113	\$1,600	\$851	
6	Other Deductions	\$0	\$0	\$0	\$0	\$0	
7	Total Interest	\$714,173	\$491,589	\$48,791	\$36,939	\$19,655	
8	Operating Margins (L3-L7)	\$494,223	\$265,465	\$60,627	\$28,610	\$18,030	
9	Non-Operating Margins	\$418,732	\$288,897	\$28,651	\$22,000	\$11,515	
10	Net Margins	\$912,955	\$554,362	\$89,278	\$50,611	\$29,545	
11	Operating TIER ((L8+L4)/L4)	1.72	1.56	2.30	1.81	1.96	
12	Net TIER ((L10+L4)/L4)	2.34	2.18	2.91	2.43	2.57	
<b>Increases Needed</b>							
13	At Operating TIER of	1.72	(\$0)	\$74,725	(\$26,862)	(\$3,048)	(\$4,428)
14	% Increase (L13/L1)		0.00%	0.75%	-2.31%	-0.40%	-0.74%
15	New Revenue Requirement (L1+L13)	\$16,892,886	\$10,061,131	\$1,133,836	\$765,387	\$591,406	

Table 1

in the table shown). The “fair and reasonable” approach we’ve adhered to over the last five years requires each rate to generate roughly the same Operating TIER. If an individual rate’s Operating TIER is below 1.72 (line 11 – highlighted in yellow), then the rate should increase. Conversely, if an individual rate’s Operating TIER is above 1.72, that rate should decrease.

In our rate study, the primary cost drivers were:

- Phasing
- Size of the load
- Load factor

Phasing depends on if the rate serves single or multiple phases. As you might guess, more phases mean more costs. Likewise, larger loads require larger investments (more cost) in distribution plant such as transformers, wire, and poles.

Load factor refers to the efficiency in which a rate group

uses the distribution system. If a rate group uses virtually the same amount of power 24 hours a day, seven days a week, then by definition that group will have a *great* load factor. On the other hand, if a rate group has large fluctuations in their load patterns, up and down, that group will have a poor load factor.

Let’s look at a specific rate.

Over 80 percent of our members are on “Residential/Seasonal” rate. That rate generated almost \$10 million in revenue for 2015. The rate study indicates Clinton County should increase revenue from this rate class by \$74,725. That translates to a 0.75 percent increase (both of these numbers have been circled in blue on Table 1).

We’ve been changing rates since 2012, migrating toward a goal of making each rate “fair and reasonable.” The Cost of Service Study clearly demonstrates we’re on the

right path. On line 14 of Table 1 you will see the small increases or decreases needed from each rate in order for all rates to pay their “fair share.”

In summary, the Cost of Service Study indicates our cooperative has been on the correct path since implementing changes in 2012. Even though the cooperative isn’t raising rates, you’re likely to see small shifts (up or down) in your bill as we adjust our rates and schedules to reflect the cost of service. This important point will be addressed at length in future articles when we explore in depth the final component of our Cost of Service Study—the Rate Design Study.

Thank you for taking the time to learn about the rate making process at Clinton County Electric Cooperative.

Final TIER Operating Summary							
Clinton County Electric Cooperative Inc. For the Test Period Ended December 2015							
Line	Description	1-Phase Farm	3-Phase Farm	3-Phase Large Power	3-Phase Sole Sub	Heat & Cool/ Geothermal	Outdoor Lighting
1	Operating Revenues	\$83,977	\$767,734	\$1,386,950	\$1,299,943	\$652,182	\$190,727
2	Operating Expenses	\$77,142	\$705,372	\$1,354,573	\$1,181,522	\$584,898	\$239,318
3	Return (L1-L2)	\$6,835	\$62,362	\$32,377	\$118,422	\$67,284	(\$48,591)
4	Interest on LTD	\$2,793	\$30,202	\$39,231	\$5,721	\$6,953	\$27,224
5	Interest - Other	\$126	\$1,367	\$1,776	\$259	\$315	\$1,232
6	Other Deductions	\$0	\$0	\$0	\$0	\$0	\$0
7	Total Interest	\$2,919	\$31,569	\$41,006	\$5,980	\$7,267	\$28,457
8	Operating Margins (L3-L7)	\$3,916	\$30,793	(\$8,630)	\$112,442	\$60,017	(\$77,048)
9	Non-Operating Margins	\$1,725	\$18,727	\$23,942	\$1,622	\$4,463	\$17,190
10	Net Margins	\$5,641	\$49,520	\$15,312	\$114,064	\$64,480	(\$59,857)
11	Operating TIER ((L8+L4)/L4)	2.40	2.02	0.78	20.66	9.63	(1.83)
12	Net TIER ((L10+L4)/L4)	3.02	2.64	1.39	20.94	10.27	(1.20)
<b>Increases Needed</b>							
13	At Operating TIER of 1.72	(\$1,895)	(\$8,947)	\$37,007	(\$108,304)	(\$54,988)	\$96,740
14	% Increase (L13/L1)	-2.26%	-1.17%	2.67%	-8.33%	-8.43%	50.72%
15	New Revenue Requirement (L1+L13)	\$82,081	\$758,788	\$1,423,957	\$1,191,639	\$597,194	\$287,468

Table 1 (continued)

# Attention Educators and Administrators!

*Have an educational project you'd like funded?*

***\$4,000 is available through Touchstone Energy Classroom Empowerment Grants***

Enter Touchstone Energy's Classroom Empowerment Grant Competition and your submission could win a \$500 grant for classroom and education enhancement projects!

Touchstone Energy Classroom Empowerment Grants totaling \$4,000 are being funded by Clinton County Electric Cooperative, Inc. (CCECI) for the 2016-2017 school year. For more information about the grant program, or to get an application, please contact your school superintendent or Carrie Trame at [Trame@cceci.com](mailto:Trame@cceci.com).

Grant applications will need to include the following information:

- A description of the project and what it will accomplish
- The estimated cost of the project
- An explanation of why outside funds are necessary to complete the project
- Whether other funding options have been pursued, and if so, how
- When project will be completed
- The number of people affected by the project

- If the project's goals are measurable, and how
- How the project ties in Touchstone Energy's four core values of Integrity, Accountability, Innovation, and Commitment to Community

Photos and supporting data are optional. Grant applications must be received at CCECI by November 7, 2016. Entries will be evaluated by an impartial panel of judges. Awards will be announced on December 5, 2016.

### Last year's winners:

#### **\$1,000 - Carlyle Junior High School**

Submitting teachers: Tara Joiner, Special Education Teacher; Patty Harre, 6th Grade Science Teacher.

#### **\$500 - Central Community High School**

Submitting teacher: Rachel Faust, Language Arts/Social Studies Teacher.



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#### **\$500 - Bartelso Elementary**

Submitting teacher: Ashley Stefanisin, Science Teacher.

#### **\$500 - Germantown Elementary**

Submitting teacher: Pam Kreke, Special Education Teacher.

#### **\$500 - St. Rose Elementary**

Submitting teacher: Sheri Steward, Fine Arts Teacher.

#### **\$500 - Breese District 12**

Submitting teacher: Susan Zinn, 4th Grade Teacher.

#### **\$500 - Wesclin**

Submitting teacher: Kristen Oster, Librarian.



*In observance of Thanksgiving the office will be closed on  
Thursday, November 24 and Friday, November 25.*

