Since 1940

# WISCONSIN ENERGY Cooperative NEWS

November 2022

Richland Electric Cooperative

Your Touchstone Energy® Cooperative

## HOW THE GRID KEEPS RELIABLE POWER FLOWING

IT'S THE PRINCIPLE

VETERANS DAY APPRECIATION

WILD FOR WILD RICE

Richland Electric Cooperative
Your Touchstone Energy® Partner

# THE ROAD AHEAD

By Shannon Clark, Manager/CEO

Zig Zigler, a World War II veteran, American author, renowned salesman and motivational speaker, is quoted as saying "Difficult roads often lead to beautiful destinations." As I thought about this quote I wondered if Zigler was referencing how difficult it could be to achieve the goal of reaching a beautiful destination or if he was telling someone not to despair during difficult times because things will get better, perhaps even beautiful, even though that was not the plan.

This last month members of Richland Electric Cooperative received a historic cost addition to their monthly power bill. As explained in the letter accompanying this month's bill, the cost was a direct pass-through of the cooperative's monthly wholesale power bill increase due in large part to the cost of natural gas, but not exclusively. In fact, the many uncertainties in the world today are driving not only the cost of fossil fuels such as natural gas, motor fuels, and heating fuel, but also the investment in infrastructure that is needed to ensure stable energy prices.

Across the country communities are divided over what the future of energy looks like and it shows up in what they will support in terms of infrastructure. Solar and wind farms are under scrutiny and in some cases being denied the opportunity to site their projects based on visual appearance, safety, and traditional land use practices. Pipelines, refineries, and other fossil fuel infrastructure siting is being denied based on the desire to eliminate the use of fossil fuels, not only in the community where siting is a concern but globally. You don't have to look hard to find communities either banning the installation of solar panels on rooftops or banning natural gas appliances in consumers' homes. Some advocates of solar and wind want only one type or another while some advocates of fossil fuels favor one type over another. The fact is, we have no national consensus on what the future of energy will look like, and lines are being drawn. If there ever was a time to come together, under a common strategy that provides for our nation's energy future, both short and long term, it is now.

Energy providers who rely on investments, whether from Main Street or Wall Street, are under extraordinary scrutiny when pitching their business case to investors. Investors, including small, local investors that may be investing in their own projects, are assessing whether their business decision today will provide benefits for the next 10, 20, or 30 years, which is often the amount of time necessary for these capital-intensive projects to pencil out.

This uncertainty is resulting in delays of needed infrastructure projects. Currently there are dozens of projects stalled or stopped forever due to various types of opposition. Everything from wind farms and solar fields to pipelines and transmission lines are on hold. How many others have had plans torn up after watching what others have endured is unknown, but surely there are several. This has created enormous volatility as providers with limited resources are being pressed to serve markets with unlimited requirements. The result is increasing prices until the demand is reduced to that of supply.

If there ever was a time to come together, under a common strategy that provides for our nation's energy future, both short and long term, it is now.

Toss in geopolitical challenges such as the war in Ukraine coupled with rising inflation, workforce shortages, and strong indicators of an upcoming, if not already present, recession and it becomes more than a little scary. Indeed these are difficult roads.

It's going to take everyone pulling together to reach any kind of beautiful destination. At REC, our strength is our diversity of opinion, not one opinion dominating over all others. Some of our members want all investment in renewables and nothing towards fossil fuels, yet others feel that investment in renewables is foolhardy. It's reminiscent of the 1930s when some people felt the co-op should only provide power to farmers, yet others felt the farmers didn't need it and the co-op should serve only new residences. Today, cooperatives around the country are under increased pressure from single-agenda groups trying to make the co-op mirror their own viewpoints, often divided by what type of fuel should be used, where it should be located, or how much it should cost. Yes, there are groups that advocate for

Continued on page 18

# CHANGING ENERGY MARKETS DRIVE TERMINOLOGY UNDERSTANDING

## Facility Charge

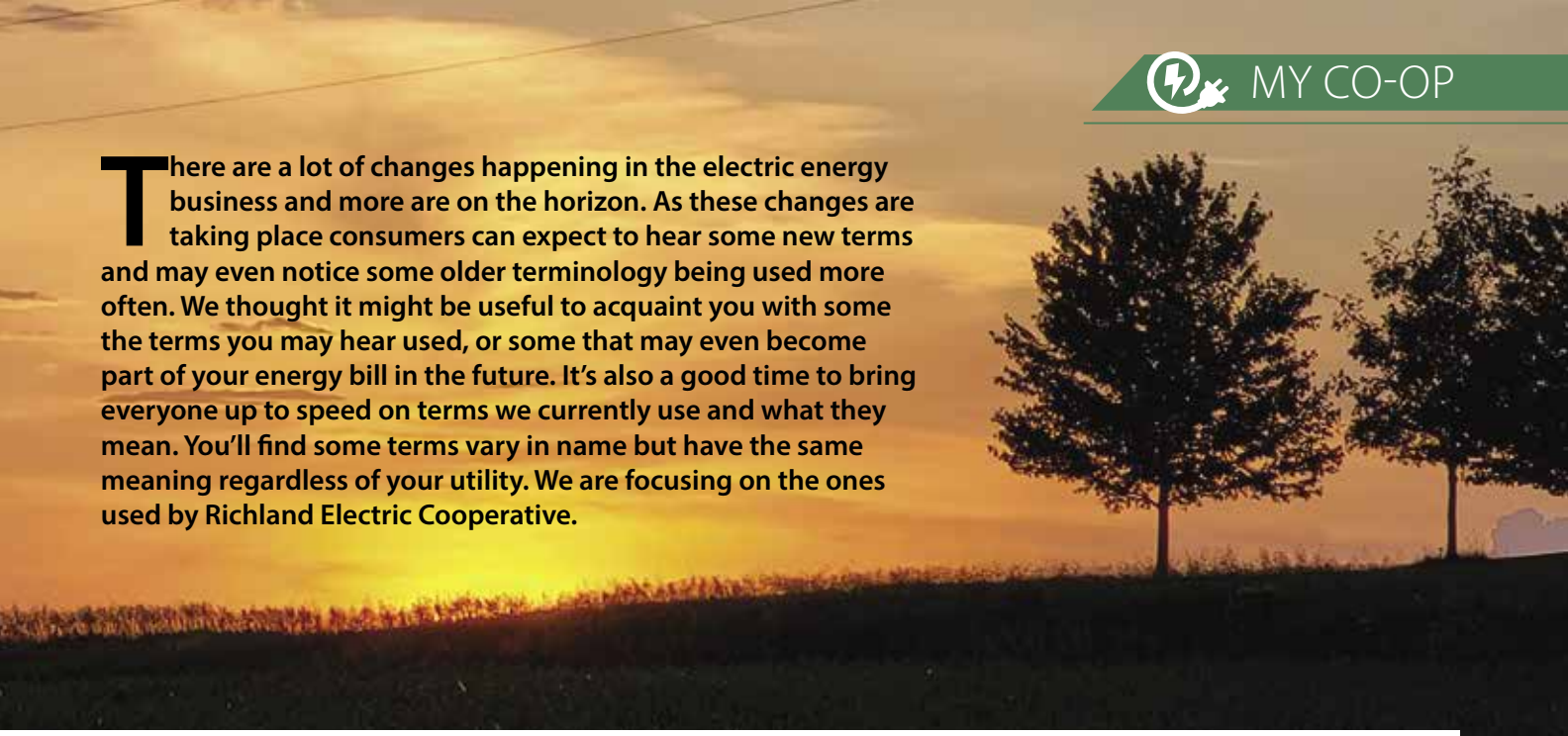
This charge recovers a portion of the cost to give members the ability to have electricity at the flip of a switch. Regardless of whether a member uses no electricity in a month (but has the ability to if they want to) or uses a lot of electricity, there are costs in providing the basic services. Just because a member doesn't use a lot of electricity doesn't mean the equipment such as poles, wires, and transformers doesn't have to be paid for and maintained. Power outages still occur, and crews and equipment are necessary to be ready to fix those. Administration needs such as billing, accounting, and management are all still ongoing.

## Energy Charge

Energy is sold in kilowatt-hours to our members. That's the use of 1,000 watts for one hour. Think of the now outdated 100-watt lightbulb. If it runs for 10 hours, that 100 watts x 10 hours equals 1,000 watt-hours, or one kilowatt-hour. For residential members, the cost of demand is embedded in the kilowatt-hour charge (demand defined later). Also in the Energy Charge is some of the cost of local distribution (REC costs) that is not recovered in the Facility Charge. For example, a person who typically uses very little electricity in a month may have a small transformer, while someone who uses more electricity in a month may have a large one. The larger users will pay more, because they used more electricity and that helps pay for the larger transformer.

## Demand Charge

Perhaps one of the harder to understand terms in the electricity business is "demand". REC shows on member bills how much demand every member creates, expressed in kilowatts, or KW, but we don't always charge a specific Demand Charge. Typically, only very large or commercial and industrial members have demand charges shown separately. Every member pays for demand, but for smaller accounts it's embedded in the Energy Charge. Demand represents a measurement at a single point in time. Let's use the light bulb example used before. A 100-watt light bulb simply turned on for a moment creates a 100-watt demand, or 1/10th of a KW. Even if it runs for 10 hours, it still only creates 1/10th of a KW of demand. But, if we turn on a 1,000-watt light bulb we create 1 KW of demand. Somewhere a generator is working harder to provide that necessary power that we just turned on. Each month, we measure how much demand—during peak—we as members of REC require. In turn, our power supplier builds and maintains the necessary generation to meet our peak demand whenever we ask for it. Once established, we can either use up our allocation or not, but we will pay the cost to have that generation station standing by ready to serve based on our demand. Very large or commercial and industrial members have a lower energy charge, but they pay a demand charge as well, which still equals a similar cost per kilowatt-hour as a residential consumer where demand is embedded. By splitting them apart some will proactively work to maximize the amount of energy they can consume for each KW of Demand Charge.



**There are a lot of changes happening in the electric energy business and more are on the horizon. As these changes are taking place consumers can expect to hear some new terms and may even notice some older terminology being used more often. We thought it might be useful to acquaint you with some the terms you may hear used, or some that may even become part of your energy bill in the future. It's also a good time to bring everyone up to speed on terms we currently use and what they mean. You'll find some terms vary in name but have the same meaning regardless of your utility. We are focusing on the ones used by Richland Electric Cooperative.**

## Public Benefits Charge

The Public Benefits Charge is mandated by the State of Wisconsin, and dollars collected from this charge fund Wisconsin's Focus on Energy program. Energy conservation incentives are provided by Focus on Energy with the goal of reducing every citizen's energy burden. It also provides assistance to various groups and individuals to help them afford their energy bills and works with them to put them on a path to manageable energy costs. Many REC members take advantage of the programs offered by Focus on Energy, and in fact in many years more money is returned to our community than is paid in by REC members.

## Power Cost Adjustment (PCA)

The Power Cost Adjustment (PCA) reflects the difference in REC's monthly increase or decrease in the wholesale cost of power compared to the time when our base rates were set, which is typically every three to five years. For example, if in May of 2018 our wholesale cost of power was 7 cents, but in October of 2022 it was 8 cents, the PCA would be 1 cent per kilowatt hour. The PCA considers all of the elements of our wholesale power bill including energy, demand, transmission, and other charges. It also includes changes in the cost of renting our substations. The PCA is reset to near zero when the board of directors approves base rate changes. The PCA can be either a credit or a charge, but is usually a charge because of inflation.

## Energy Cost Adjustment (ECA)

The Energy Cost Adjustment (ECA) is very similar to the PCA and is typically only used on accounts such as Dual-Fuel, where the heating appliance is turned off during peak hours, thereby not creating a demand charge. However, this past month, REC used the ECA to pass along a large monthly increase in the cost of wholesale energy. Unlike the PCA, this charge only considers the cost of the energy portion of our wholesale power bill. It is seldom used except in the cases of extreme volatility, but we do expect it will be used more often in the future as electricity markets and other energy markets experience more monthly volatility.

## Time-of-Day Rates

Richland does not currently offer a Time-of-Day Rate but is considering it as a rate alternative. Time-of-Day Rates encourage members to use energy during off-peak hours so as not to create new demand charges. They also encourage members to use energy during nighttime, or other hours when electricity in the market is typically less expensive. Some Time-of-Day Rates are much higher during afternoon and evening hours and much lower in the night and early morning hours. Consumers can choose to use energy to take advantage of the low rates by changing their habits and routines, but if they really must they still have energy to use during those high-priced hours.

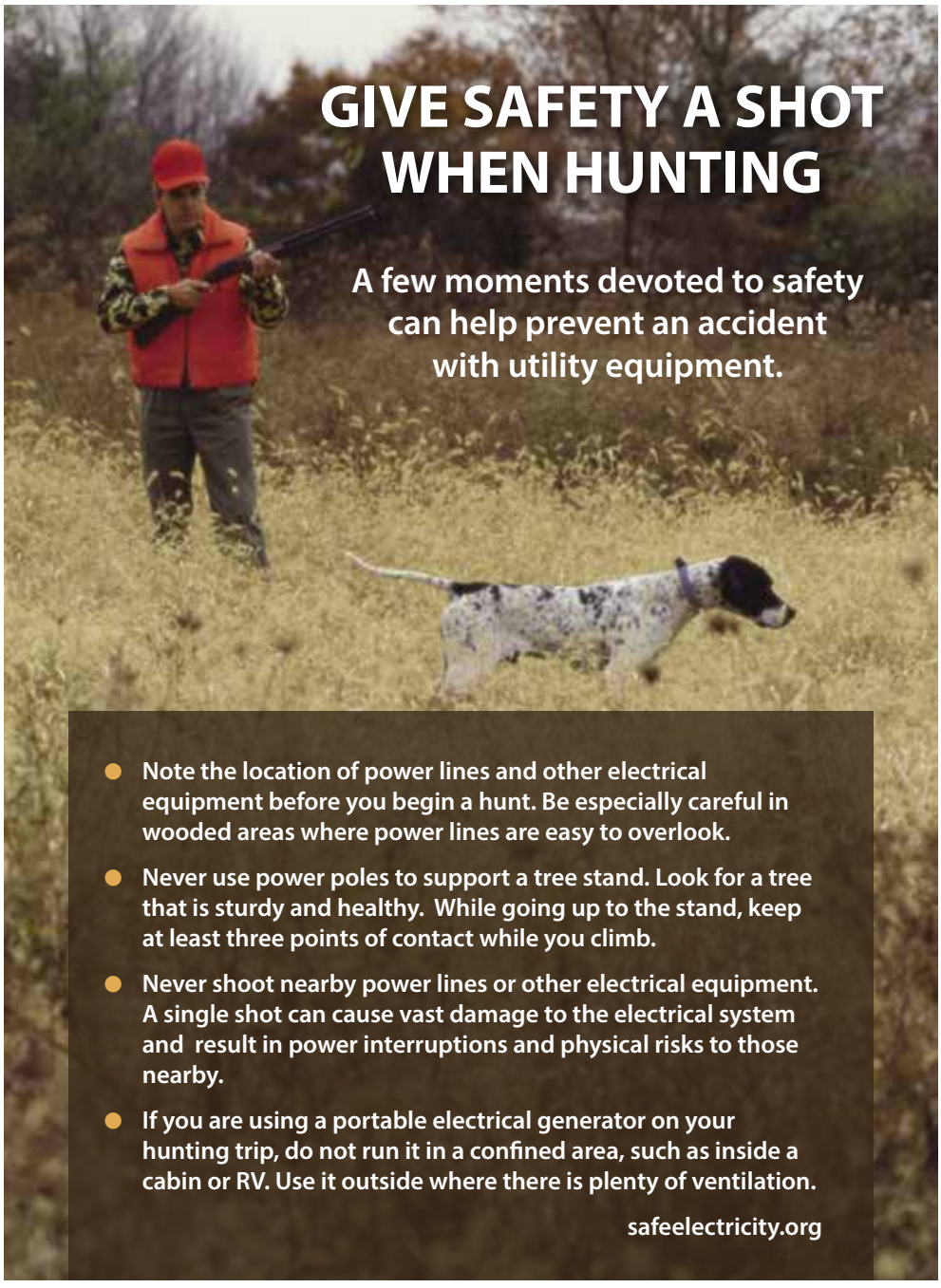
## The Road Ahead

**Continued from page 15**

higher electric rates in order to discourage its use, and by higher that means five to ten times higher or more. Yet, others want it the cheapest possible with no regard to environmental or safety concerns.

Fortunately, the majority of our members who have expressed opinions believe a balanced approach will usually work out the best. However, we need to know where the ultimate destination is, and what it is. What curves and twists, bumps and washouts might we encounter so that we can prepare for those?

This month's adjustment was more than a bump, but it won't knock us off the road. Our board is representative of our membership at large and they are consumers/owners of this cooperative like every other member, no more, no less. They face challenges head-on and seek solutions that are fair to everyone. The decision this month to pass along the increased cost, just like the decision to retire capital credits this month, was done in the true spirit of a cooperative. And it just so happens, it was in done in October, nationally recognized as Co-op Month.




**Shannon Clark, Manager/CEO**
30 E. Robb Rd., P.O. Box 439, Richland Center, WI 53581
608-647-3173
www.rec.coop
Find us on Facebook

Richland Electric Cooperative
Your Touchstone Energy® Cooperative

## Board of Directors

Calvin Sebranek, President • Daniel Hillberry, Vice President • Judy Murphy, Secretary • Tim Tiller, Treasurer
Don Huffman, Jim Goplin, Steven Fuller, Jeff Monson, Kevin Kepler