

**Fall River Rural Electric Cooperative**  
Frequently Asked Questions  
About the January 2012 Retail Rate Increase

***How much will my rates go up and when?***

The proposed increase would take effect January 1, 2012, with a 3.2 percent average increase across all accounts (residential, general service, and irrigation). The changes to your bill will depend on what kind of account you have and how much energy you use.

***Why is Fall River raising rates?***

The Bonneville Power Administration (BPA) raised wholesale power rates by 7.8 percent beginning in October 2011. Since Fall River has already aggressively reduced and controlled costs, the Cooperative cannot absorb the rate increase without raising our members' rates. The proposed 3.2 percent rate increase simply passes BPA's wholesale power cost increase on to members.

***When did Fall River last raise electric rates?***

We last increased rates in January of 2010. Prior to that, Fall River had not raised rates since March of 2005.

***What is the line and system maintenance charge and will it change?***

The line and system maintenance charge is a fixed monthly charge that covers a portion of the costs Fall River incurs to build and maintain the system that carries the electricity to your home or place of business. This charge ensures all members pay their fair share of infrastructure costs. Even when you do not use electricity for an extended period, Fall River must still keep the facilities in place to deliver energy when you need it.

Those costs include transmission lines, substations, power line improvements, maintenance and repair, billing, accounting, the payment of loans, and member services. Without the line and system maintenance charge, members who live in Fall River's service territory full time would subsidize seasonal residents who make up a large portion of the membership. The line and system maintenance charge will **not** increase.

***Why has Fall River decided to look at an inclining rate structure for Residential Members?***

BPA has changed the way it will provide power to consumer-owned utilities like Fall River. The inexpensive hydropower we have all come to rely on has reached its capacity. BPA has allocated Fall River a particular share of the hydropower

that is available to the region. As Fall River needs additional power, we will have to purchase it from other sources at a higher market price.

The more power Fall River requires, the more it will cost the Cooperative. By analyzing average residential electric use, we found that, on average, a year-round resident uses 1,800 kilowatt-hours (kWh) per month. Under the new rate structure, if a residence uses more than 2,000 kWh per month, there will be a higher cost per kWh in order to pass along the additional cost the Cooperative pays to purchase power at a higher market price. Initially, the price of this second block of power will only be slightly higher.

### ***Why is Fall River increasing rates during a recession?***

Fall River has actively managed and reduced the costs we control. However, we have very limited influence over BPA's wholesale power costs. BPA initially proposed a rate increase of 12 to 20 percent. Fall River and other consumer-owned utilities demanded that BPA reduce the proposed increase. BPA's final approved wholesale power increase was 7.8 percent on average. Fall River's proposed rate increase only passes BPA's rate increase on to members.

### ***How are rate changes determined?***

Fall River goes through an extensive process in setting its rates. The Fall River Board of Directors reviews financial forecasts, wholesale power costs, market analysis of retail electric rates, a cost of service study, and takes into consideration the membership's perspective.

The board started discussions about a potential rate increase nearly a year ago. In addition to making suggestions to BPA and tracking the progress of their rate case with the Federal Energy Regulatory Commission (FERC), Fall River's Board of Directors and management team have focused on reducing Fall River's controllable costs.

### ***Do members get a say in the rate increase?***

Yes! Fall River Rural Electric Cooperative is a non-profit organization created to provide electricity to its owners. When you sign up to get electrical power from Fall River, you sign a membership agreement and become an owner of the Cooperative. Being an owner of Fall River entitles you to several benefits; one of the most important is casting a vote to elect the Fall River Board of Directors. The board of directors represents all member-owners in setting policies for the Cooperative. Find out more about the board members at [www.fallriverelectric.com](http://www.fallriverelectric.com).

In the same way that city council members make important decisions on behalf of city residents, Fall River's board members represent their fellow members and

set policies that maintain the financial integrity of the Cooperative. Board members receive a great deal of training and devote significant time to understanding the Cooperative's financials, the electric industry, and listening to the concerns and needs of other members. You can find a list of board members on our website, [www.fallriverelectric.com](http://www.fallriverelectric.com).

Second, the board held member meetings in West Yellowstone, Island Park, Driggs, and Ashton the week of October 17. These meetings provided an opportunity for you to see and hear what the board considered in coming up with the proposed rate change. You had the opportunity to ask questions, express concerns, and talk to board members and staff. Based on those meetings the board decided to finalize the rate changes as they were proposed.

### ***How can I get more information about how the rate change will affect me?***

Although the average increase for each member will be 3.2 percent, the effect on your account will depend on whether you have a residential, business, or agricultural service, and how much energy you use. Look in your December bill for more specific information about how the rate change will affect your account.

### ***What can I do to keep my bill down?***

Fall River has created several conservation rebates to help you manage your energy use. We provide rebates for some new energy efficient appliances, window replacements, and insulation additions. If you have a business, look for rebates on irrigation improvements and replacement lighting. Call the conservation specialist at 208-652-7431 or go to [www.fallriverelectric.com](http://www.fallriverelectric.com) and click on "savingEnergy" for more information.

If you have trouble paying your bill, you can apply for energy and weatherization assistance through state programs. Income limits apply, but even if you are not eligible to receive energy assistance to help you pay your bill, you may be eligible for weatherization assistance. More information can be found at [www.fallriverelectric.com](http://www.fallriverelectric.com).

### ***What is Fall River doing to keep rates down?***

Fall River has cut capital expenditures by \$2.4 M, reduced controllable expenses by 5 percent less than the 2011 approved budget, and reduced its workforce by 23 percent. Fall River's staff continues to investigate ways to reduce costs and improve the Cooperative's efficiency.

### ***Will there be another increase in the near future?***

The electric utility industry is facing unprecedented challenges. There will be continued upward pressure on electric rates from national policy changes

regarding climate change, as well as building new generation resources to meet future energy demand. In addition, BPA has indicated they will again increase wholesale power rates in two years.

Despite these challenges, Fall River has set financial standards to hedge the Cooperative against market volatility and keep our members' rates stable. If on the remote chance that wholesale power costs decreased, then we would likely reduce retail electric rates for you, the Cooperative's member-owner.