

WARREN RECC WILL ABSORB SOME OF TVA'S OCTOBER RATE ADJUSTMENTS

Warren RECC has been active over the last 3 years in reducing operating and maintenance costs; therefore, coupled with continued growth, Warren RECC will NOT pass through the second portion of TVA's rate-structure change which could amount to as much as \$500,000. **This simply means you will see less of an increase in your electric bill because Warren RECC is paying a portion of the TVA increase for you.**

Through 2017, TVA will continue to make small rate adjustments to the wholesale power purchased by Warren RECC and other distributors in the Tennessee Valley. The adjustments are being used to fund new generation resources to replace forced coal-plant retirements by the Environmental Protection Agency (EPA). The new generation resources include nuclear, natural gas-powered generation, solar power, and load control systems. While TVA is also reducing operating and maintenance costs to offset what would be larger rate adjustments, this cannot make up for all of the new resource costs. In October, Warren RECC will see an approximate 1.5 percent rate increase (\$2.2 million dollars) and a rate structure change (\$375,000 to \$500,000) among the rate classes of members. Warren RECC will absorb the rate structure change in the July 1, 2015, through June 30, 2016, budget. Warren RECC's Board of Directors approved this increase in the budget vote at the June Board meeting.

This particular decision is very important to our members, as it is not just a one-time event. Warren RECC's willingness to absorb the rate structure change repeats each year going forward which compounds your savings each year.

WARREN RECC WILL ABSORB TREE TRIMMING COST INCREASES OF \$353,000 PER YEAR

One of the most critical ratios we use to understand our operating and maintenance cost, is the ***"Operation and Maintenance (O&M) Expense Per Member Per Year"***. This ratio captures the amount you pay Warren RECC annually to operate and maintain the electric system to deliver power to your home, business, or industry. Below is a snapshot of those costs, displayed from 2007 to 2016. Most electric utilities in our region charge between \$320 to \$400 per member per year for operating and maintenance costs. Warren RECC also received a large increase in bids for right-of-way tree trimming of \$353,000 from a year ago. **Warren RECC has also decided to absorb this annual cost increase to keep your rates as low as reasonably possible. I am happy to say Warren RECC's new budgeted O&M costs are set for just under \$337 per member per year which is below our historical 2009 costs (See figure 1 below).**

O&M Expense per Member per Year

Budget Reductions Have Returned us to 2009 Cost Levels



**Unexpected significant cost increases in right-of-way clearing:
Bids Increased O&M Budget \$353,000 for 2016**

Figure 1: Operation and Maintenance Costs can be measured on a “per member per year” basis and tracked on a monthly and annual basis. This tells Warren RECC, on average, how much a typical member pays the cooperative to operate and maintain the local electric lines and substations which supply electric power to their home, business, or industry. Warren RECC’s Board of Directors approved a plan by which the cooperative will absorb the increased tree trimming costs and some of the TVA rate adjustments for the new fiscal year budget.

Why is Warren RECC Reducing Its Costs, Offsetting Rate Increases from TVA, and Keeping Reliability High?

Warren RECC recognizes that our region is growing. As the largest electric provider in the region, we want to, not just be a “good” electric cooperative, but be a “GREAT” electric cooperative. The Directors, management team, and all employees want to insure we do the very best for you, our member-owners. We have decided to do the things that, not only make common sense, but are also rational and forward thinking. We realize you have entrusted us to do the right thing on your behalf. **While some organizations and governments continue to borrow more than they can pay and continue to increase their cost of doing business, Warren RECC says “NO,” we will not operate that way. Since 2011, Warren RECC has reduced debt nearly 13 percent(\$11.5 million); and, at the same time, we have**

invested \$54 million in system growth. By doing this, we have been able to increase the cooperative's equity 8.1 percent. Coupling growth with cost reductions enables Warren RECC to borrow less money and pay less interest. Figure 1.2 depicts capital spending on system growth which the cooperative is funding mainly from the growth and less borrowing.

Plant Additions Compared to New Debt



WRECC is putting \$ back into the growing system, borrowing less, paying off Debt= lowest cost!

Figure 1.2 Warren RECC is borrowing less money to grow its system, which leads to growing equity and lowering costs.

Winter Around the Corner

Now is the time to be thinking about basic tasks you can do to lower your winter electric bill. Adding insulation and insuring doors and windows are properly sealed will give you the best return on your investment. Opening window blinds on sunny days will help warm your house in the winter, while closing the blinds on summer days will help reflect the heat and reduce the strain on your air conditioner. Lowering your thermostat approximately 2 degrees in the winter will also help reduce your usage. For other tips, go to www.wrecc.com or call our office at 270-842-6541 to discuss your questions with Scott Duvall, Energy Services Advisor.

If you have an old heat pump, furnace, or hot water heater, give us a call to ask about incentives before you replace your old unit. These devices are typically the biggest users of electricity in a home or business. Your old unit may be costing you more each year to operate than the cost of replacing it with a new energy-efficient model.

Why is the Cooperative Model Best for Electrical Power?

If you receive electric service from Warren RECC, then you're a member-owner of Warren RECC. Being a member is a special benefit as compared to just being a customer. As a member, you are part owner of Warren RECC. With that comes responsibility for all parties – you, the member, the Board of Directors, and the employees of Warren RECC. Each of us enjoys the benefits that come from cooperative membership.

Please let us know how we might help you with questions or ideas about your electrical service. In conjunction with our website www.wrecc.com, you can follow us on Facebook for more information on Warren RECC. Until next time, thank you for being a member, and God Bless.

Seven Cooperative Principles

- VOLUNTARY AND OPEN MEMBERSHIP**
Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- DEMOCRATIC MEMBER CONTROL**
Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.
- MEMBERS' ECONOMIC PARTICIPATION**
Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
- AUTONOMY AND INDEPENDENCE**
Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
- EDUCATION, TRAINING AND INFORMATION**
Cooperatives provide education and training for their members, elected representatives, managers, and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.
- COOPERATION AMONG COOPERATIVES**
Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- CONCERN FOR COMMUNITY**
While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.