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January 2010 Retail Rate Change Frequently Asked Questions

The aim of Fall River Rural Electric Cooperative, Inc. is to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

Answers to the following questions were prepared to help you, the member, better understand how the upcoming rate change was established and how it will affect you. We welcome you to contact our office or directors for more information.

1. *How big is the increase and when will it go into effect?*

Your electric bill consists of two portions- the Line and System Maintenance fee, which stays the same each month, and the kWh charge, which changes with the amount of energy you use.

You will see the rate change in your bill in January of 2010, and the average increase over all member rate classes (residential, commercial and irrigation) will be 8.3%, which includes changes in the Line and System Maintenance fee and the kilowatt hour (kWh) charge. The specific rate increase for each member will depend upon whether the member has a residential, commercial or irrigation service, and on how much energy the member uses.

2. *Why did my bill increase by more than 8.3%?*

The 8.3% is an average increase over all rate classes. The increase in your bill will differ based on whether you have a residential, commercial or irrigation account, and on how much energy you use. For the specific change in your rates, please see the new rate schedule on our website: www.fallriverelectric.com.

3. *How long has it been since Fall River increase electric rates?*

The last rate increase occurred in March of 2005, nearly 5 years ago. Rates have increased by 23% across the country during that same period. If Fall River had chosen to increase the rates annually, 8.3% would represent an increase of less than 1.75% each year. This is significantly less than the annual inflation rate over the same period of time.

4. *What is the Line and System Maintenance fee and will it change?*

The Line and System Maintenance fee 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. Fall River's Line and System Maintenance fee ensures all members pay their fair share of infrastructure costs. Even when a member does not use electricity for a period of time, Fall River must still keep the facilities in

place to deliver energy. 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 fee, members who live here year-round would subsidize seasonal residents, who make up a large portion of the membership.

The Line and System Maintenance fee will increase for residential accounts to \$36.00. Based on cost analysis, the Line and System Maintenance fee should be \$68. However instead of charging the full \$68 Fall River has chosen to limit it to \$36 and collect the remaining costs through the kilowatt hour (kWh) charge. Please see the new rate schedule for more information.

5. *Why is Fall River increasing rates during a recession?*

Because of its financial good standing, Fall River has been able to absorb several wholesale power cost increases over the last three years. This year Bonneville Power Administration, Fall River's wholesale power supplier, announced they planned to increase their wholesale power rate by 7%. This brings the total increase in wholesale power costs over the last three years to 21.7%. With these mounting increases in operating cost, Fall River needed to act accordingly to ensure the cooperative is financially viable and able to continue to provide low cost, reliable power to its members.

6. *How are rate changes determined?*

Fall River goes through an extensive process in setting its rates. The 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 member's perspective.

7. *Do members get a say in the rate increase?*

Yes they do. Fall River Rural Electric Cooperative is a non-profit organization created to provide electricity to its member-owners. These member-owners elect nine of their own to serve on the Board of Directors. In the same way that city council members make important decisions on behalf of city residents, Fall River's Board Directors are charged with representing their fellow members and maintaining the financial integrity of the cooperative. Board Directors 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. A list of Board Directors can be found on our website: www.fallriverelectric.com.

Fall River will hold informational meetings in West Yellowstone, Driggs and Ashton. These meetings will provide an opportunity for members to see and

hear what the Board considered in coming to the conclusion they did. It also provides an opportunity for members to ask questions, express concerns, and talk to Board Members and staff.

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

Although the average increase for each member will be 8.3%, how your account is affected will depend on whether you have a residential, business, or agricultural service. Look in your November bill for more specific information how the rate change will affect your account or on our website:

www.fallriverelectric.com.

9. *What can I do to keep my bill down?*

Fall River has created several conservation rebates to help you manage your energy use. Rebates exist for some new appliances, home weatherization improvements, and agricultural improvements that improve efficiency. Please call our office or visit our website for more information on these programs.

Federal tax credits for up to 30% of costs exist for energy efficiency home improvements, such as new windows and doors, as well as for energy efficient heating and cooling systems. Visit www.energystar.gov for more information about these tax credits.

Members who have trouble paying their bills can apply for energy assistance through their local state programs. Income limits do apply. If you would like more information, please visit one of our offices, call us at 208-652-7431, or go to www.fallriverelectric.com to find out how to contact your local energy assistance program.

Federal stimulus dollars have also increased the income eligibility limits for weatherization assistance to 200% over federal poverty level. 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 and in the newsletter that comes in your monthly bill.

10. *What is Fall River doing to keep rates down?*

Over the past three years, Fall River's wholesale power costs have increased by 21.7%. To mitigate these increases Fall River cut capital expenditures by \$2.4 M, reduced controllable expenses by 5%, and reduced its workforce by 17%. Fall River's staff continues to investigate ways to reduce costs and improve the cooperative's efficiency.

11. *Will there be another increase in the foreseeable 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, Bonneville Power Administration (BPA) has indicated they will be increasing wholesale power rates, the price Fall River pays for electricity, again 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. All indications are that wholesale costs will continue to increase. If on the remote chance that wholesale power costs decreased, then a reduction in retail electric rates would likely ensue.

Fall River Rural Electric Cooperative can be contacted in the following ways:

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