

VIGILANTE ELECTRIC COOPERATIVE

A Touchstone Energy® Cooperative 

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OWNED BY THOSE WE SERVE

77TH ANNUAL MEETING OF MEMBERS

Over the past several months we have run a series of articles explaining what electric cooperatives are, and what makes us unique. On March 6th, members from across our service territory met on the campus of the University of Montana-Western to participate in an event that truly defines us — our 77th annual meeting.

Again, my favorite part of our annual meeting is the invocation done by Trustee Norm Tebay. This year Norm paid tribute to Trustee Don Jones, who stepped down after 54 years of service, and Office Manager Ralph Dreyer, who is retired at the end of March, after 27 years. After thanking them for their service Norm led the meeting in song with *May the Good Lord Bless and Keep You* and *Happy Trails*.

The informational part of our meeting started with the Manager's Report from Rollie Miller. He started his comments by acknowledging the employees and paying special recognition to our line crew and all they do. Our 12 linemen are tasked with keeping operational 230 miles of power lines per lineman, and 770 meters per lineman. Rollie wanted to publically state that he is committed to the linemen's safety to ensure they go home safely each night.

Rollie continued with a discussion of rates. In October, we will see a rate increase from Bonneville Power Administration (BPA) of between 6 to 7 percent. While we are still in negotiations with BPA, it appears that we will have to implement a rate increase on January 1, 2016.

A bigger concern is we are approaching the point when we have to start purchasing supplemental power (tier II) at market prices. BPA has limited generation that is allocated to its customers. Once a utility exceeds their allocation (tier I), they must look elsewhere to meet growth. Currently it is projected that we will exceed our allocation by 2017.

Also, as reported in previous meetings, one third of our rate goes to salmon and habitat restoration. Now there is a twist to recovery efforts. While the salmon numbers are trending up, so too are the number of sea lions that are feeding on the salmon.

Rollie then discussed net metering and distributed generation. Vigilante Electric Cooperative fully supports net metering, but he explained that our rate structure does not support



Rollie Miller
General Manager



Dean Peterson
Board President



Gary Wiens,
MECA Assistant
General Manager

it. With our current rate structure, there is the possibility of net metered facilities being subsidized. Changes are being discussed and Vigilante Electric will study the impact by installing a 10 KW solar system.

Next, Board of Trustee President Dean Peterson gave the president's report. Dean started his remarks by stating that our rates are the lowest in the state, and in the lowest one percent in the country. A lot of this has to do with the individuals that the membership elects to the board. The trustee position is of great importance because today's decisions affect tomorrow.

He also discussed our tier 2 power requirements. Current market rates for electricity are about \$35 per megawatt hour — a little above what we are paying now. However, market prices are very volatile, and it was not too long ago the market prices were \$54 per megawatt hour.

It also was noted that one way to lessen the impact of our tier 2 requirements is through the implementation of distributive generation and net metering. That is one of the reasons why so much time is being given to developing a rate structure that prevents cross subsidies. Dean also offered an explanation of how net-metered accounts get subsidized.

Currently, it costs a little more than \$46/month to have a service in place. These are our fixed costs. We capture \$22 of these costs in the base charge and the rest in the kilowatt-hour charge. If a distributed generator were to generate enough to zero their kilowatt-hour charge, there would be approximately \$24 in fixed costs not recovered. This amount would be paid by others.

The meeting continued with Office Manager Ralph Dreyer providing the financial report. Ralph explained that our organization is strong financially, but commented on a few things specifically. He notes that 50 percent of our costs are for the purchase of power. He also discussed cooperative financing and temporary investments.

Our industry is very capital intensive, and we rely on long- and short-term funding to finance needed improvements to our system. Ralph also gave some historical perspective on

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VIGILANTE ELECTRIC COOPERATIVE, INC.

ANNUAL MEETING

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interest rates. Today we are borrowing money at 3 percent, when Ralph started with us the lending rate was 12 percent.

This being a year that the Montana Legislature is in session, Gary Wiens, Assistant General Manager of the Montana Electric Cooperatives' Association (MECA) joined us and provided a legislative update. At the time of this article, the session had just passed the half-way mark.

Every session Montana cooperatives are faced with attempts at changing net-metering laws. Montana cooperatives have been allowed to chart our own course on this topic, and we want to retain this control. Bills introduced this session would have taken away local control and increased the size of the systems that we would be required to net meter from 10 kW to 50 kW.

MECA also has pushed for legislation that would help protect individuals and businesses from unreasonable liability claims in the event of an accidental fire. Gary concluded his comments about the ongoing fight to list the sage grouse as an endangered species. If the sage grouse were to be listed and restrictions placed on habitat supporting their population, it would have a serious impact on the operation of many cooperatives, including Vigilante Electric.

The business portion of our meeting concluded with trustee elections. Vigilante Electric has nine trustees serving three-year terms. This year's districts up for election were District #4, serving Twin Bridges/Point of Rocks; District #5,



Kjersten Sandru

serving Wise River/Silver Bow/Melrose; and District #7, serving Jackson/Wisdom.

Nominations for trustees take place at district meetings and are forwarded onto the annual meeting for election. A quorum (15 memberships) is needed for an official meeting and to nominate candidates. This year only two meetings had quorums. District #4 nominated Sharon Lasich and District #7 nominated Dean Peterson. Both were re-elected to new terms.

A nominating committee was selected for District #5 and tasked with getting two members from that district to run for trustee. The committee placed the names of Cheyenne Garrison and Chris Rieber, both from Glen, on the ballot. There were no additional nominations from the floor and votes were cast by the members attending the meeting. Cheyenne Garrison is the new board trustee for District #5.

Finally, while ballots were being counted, Kjersten Sandru from Twin Bridges addressed the meeting. Kjersten represented Vigilante Electric on the Youth Tour to Washington, D.C., and was elected as the Youth Leadership Council representative for Montana. Kjersten opened with a poem that she had wrote, *Where I'm From*, then talked about her adventures representing Vigilante Electric and Montana.

What happens at the Annual Meeting embodies what cooperatives are and what we stand for. If you missed this year's meeting, you missed a very good one. Much planning and effort goes into making the event what it is. We would like to thank the University of Montana – Western for the wonderful meal, and their assistance in making the meeting flow smoothly. We would like to extend a thank you to our guests for their participation and support. Lastly, we would like to thank all of the members who took time out of their schedules to join us. Hope to see you all again next year.

Leadership Award — The Winners Are:

Benjamin Franklin once said, "An investment in knowledge pays the best interest." This is why the scholarship programs offered by organizations such as ours are so important. A little help to students with drive and determination can pay big dividends for our communities in the future.

Vigilante Electric Cooperative understands the importance of education and has a long history of providing member youth with educational opportunities. The Vigilante Electric Cooperative Leadership Award is given to students who not only prove themselves in the classroom, but in their communities.

For the 2014-15 academic year, the Board of Trustees of Vigilante Electric Cooperative has awarded 20, \$500 scholarships. This year's recipients are:

Audrey Schurg - Beaverhead Co. High School
 Brady Richardson - Beaverhead Co. High School
 Cierra Lamey - Beaverhead Co. High School
 Ellie Wilkinson - Beaverhead Co. High School
 Holly Andersen - Beaverhead Co. High School
 Jason Ferris - Beaverhead Co. High School
 Jordan Peterson - Beaverhead Co. High School
 Parker Jones - Beaverhead Co. High School
 Sage Schoonen - Beaverhead Co. High School
 Devinn Ragen - Broadwater High School

Emma Russell - From Townsend, attending Carroll College
 Nicolas Hill - Broadwater High School
 Questen Inghram - Broadwater High School
 Emilie Schroder - Lima High School
 Emily Stosich - Lima High School
 Dusty Keim - Twin Bridges High School
 Michael Walsh - Twin Bridges High School
 Sami Nicholls - Twin Bridges High School
 Nolan Konen - Twin Bridges High School
 Jamie Kopf - Whitehall High School

Additionally, the top application received was forwarded to our statewide association for consideration for one of four Montana Electric Cooperatives' Association Memorial Scholarships. This year our trustees selected Cierra Lamey's application to compete for the statewide scholarship.

On behalf of Vigilante Electric Cooperative, I would like to congratulate this year's scholarship winners and wish them the best in their future endeavors.

The value of electric cooperatives

Why being a member of a co-op saves you money

By Adam Schwartz

There are three main types of electricity providers in the U.S. Investor-owned utilities (IOUs) serve primarily densely populated areas. Municipal-owned utilities also serve densely populated cities from the very large, such as Los Angeles, to the very small, such as Robersonville, NC. And of course, there are rural electric cooperatives such as Vigilante Electric Cooperative that serve less-populated parts of the country.

In the utility business, population matters a lot. Since the costs to serve any given area are similar, the more customers that you have allows you to spread the costs among more people to keep rates lower. At least that is the theory.

The graphic at the bottom right shows the national averages of density and revenue per mile of electrical line for IOUs, municipal-owned utilities and electric co-ops. Municipal-owned utilities, which operate in cities and towns, have the greatest density – 48.3 customers per mile of line, generating an average of \$113,301 of revenue. IOUs follow with 34 customers per mile of line, while generating average revenues of \$75,498. Finally, electric co-ops average 7.4 members (not customers, but members) per mile of line, bringing in an average of \$14,938 of revenue per mile.

Vigilante Electric Cooperative averages 1.96 members per mile of line, generating \$4,500 of revenue per mile.

If I were to give this data to any business school in the country and ask (based on this information) what the rates should be for each of the utilities, the answer would likely be that electric co-ops would have a rate 7.5 times greater than municipal-owned utilities and five times higher than IOUs — but that is not the case. Why not?

It has to do with the business model. IOUs are owned by outside investors who may or may not be users of the elec-

tric utility they own. These companies' stocks are traded on Wall Street, and those investors demand a return on their investment. This drives up the price that their customers pay. Many municipal systems charge rates that generate a "profit" for their cities to help pay for other services. Vigilante Electric operates on a not-for-profit basis. Of course, we are a business and must generate enough revenue to cover costs (the largest being the purchase of wholesale power), but we don't have to charge rates to pay outside stockholders.

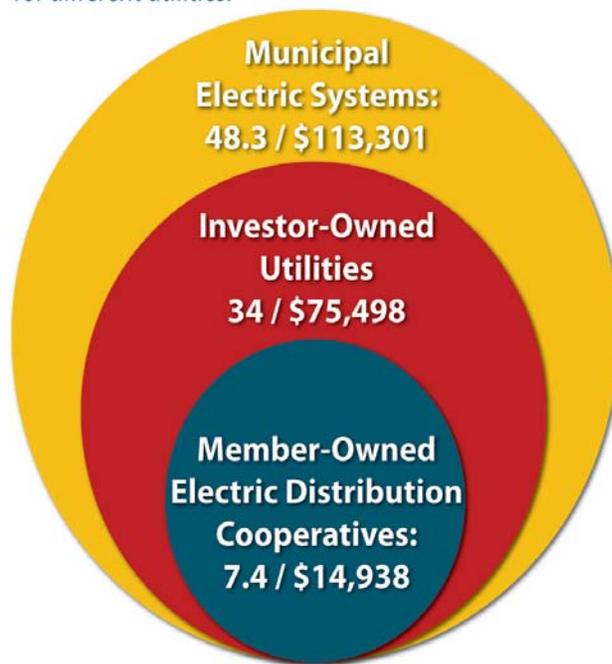
Since our members are our owners, we can provide safe, reliable and affordable power to you. That is just another way your co-op brings you value.

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

Revenue in Review

Because of higher population densities (more consumers served per mile of line), municipal electric systems and investor-owned utilities receive more revenue per mile of line than electric cooperatives.

Consumers served/revenue per mile of line for different utilities:



Source: National Rural Electric Cooperative Association, September 2013

Source: National Rural Electric Cooperative Association

Contractor Work 2015

At Vigilante Electric Cooperative, our mission is to provide the most reliable service at the lowest possible cost. While outages will occur, we try to minimize them through our maintenance program.

Each year a different segment of our system is checked to identify rotten poles and loose hardware. Then, we make every effort to correct these issues. To aid us, we use contractors to do the pole testing and, on occasion, to do pole changes and tighten hardware. This year we will have two contractors in the area.

In late May, Western Line Builders from Nevada will be working in the town of Lima. Starting in June, Western Power Pole Testing will be in the Whitehall and Townsend areas.

We don't anticipate many major outages, but there will be periodic minor outages associated with this work. We ask for your patience and understanding in these efforts.

One Final Tribute

By Allen Martinell

Don Jones has been a Vigilante board member for more than half a century — 54 years. That involves a very deep commitment to the co-op philosophy, and a lot of perseverance. He will be the first to say that the time away from the ranch would not have been possible without the support of his wife Liz and their family. While serving Vigilante, Don also served for three decades on the board of the Montana Electric Cooperatives' Association (MECA), the statewide organization of Montana electric cooperatives.

Both Don and Liz have been extremely active leaders of youth in 4-H and FFA. At Vigilante Electric Cooperative and MECA, Don always tried to inform new employees and board members on the things that would allow them to understand and excel in their tasks. He would make the special effort to relate to them and make them feel comfortable.



Don Jones

Don's presence on the Vigilante board will be missed. He has excellent recall of policies and events over his tenure. He has used that knowledge to make sure that Vigilante lived up to its mission statement, which is "to provide the most reliable service at the lowest possible cost." Vigilante currently has the lowest residential rate in Montana, and is within the lowest 1 percent of 815 electric co-ops in the nation. These rates are due in part to Don's dedication and foresight.

Don and Liz are respected ranchers and stock growers. They are always trying to improve their ranch and their livestock. Because of this, they have received many state and local awards for their accomplishments.

Having served on Vigilante's board for 34 years with Don, I have a lot of respect for him. He is a man of his word. His no means no, and his yes means yes, and I am proud to call him my friend. He is one of those people that make you feel better for knowing him.

ELECTRIC LINEWORKERS SCHOLARSHIP

From Vigilante Electric

In the past few years, studies have indicated that there could be a huge shortage in certain trade occupations. One of these trades affects Vigilante Electric Cooperative directly — lineworkers.

One study indicated that the average age of lineworkers in the United State was almost 50, and that nearly half of this workforce will be eligible for retirement in the next 5 to 10 years.

This is why Vigilante Electric Cooperative is offering the opportunity for a qualified applicant to receive a \$500 scholarship to attend one of the regional line schools. This trade offers excellent pay and great benefits, and opportunities are available worldwide.

To qualify, the applicant must be the dependent of a member, or a member themselves, of Vigilante Electric Cooperative, fill out a simple application and provide enrollment information on the school that you will be attending. For more details contact Rod Siring at our Dillon office at (800) 221-8271 or 683-2327.



- President**
Dean Hanson
- Vice President**
Allen Martinell
- Secretary/Treasurer**
Sharon Lasich
- Tom Helm*
- Andy Johnson*
- Cheyenne Garrison*
- Dean Peterson*
- Jim Petersen*
- Norm Tebay*
- General Manager**
Rollie Miller

Outage Notification Numbers

M-F 8 a.m. to 5 p.m.
683-2327 or
(800) 221-8271

Dillon

After Hours Mon. - Thurs.
Dan Snellman.....683-6222
Gary Ferris683-6321
Cody Tarter925-3326
Charles Wharton 660-1878

Weekends
683-2327 or
(800) 221-8271

Whitehall

After Hours and
Weekends
Marty Simons287-3950
Chuck Romerio....287-3144
John Moos266-3605

Townsend

After Hours and
Weekends
John Moos266-3605
Justin Bair266-3351
Chase White459-3892
Marty Simons287-3950