

Wind Power Is Free; or Is It?



MESSAGE FROM GENERAL MANAGER AND CEO JERRY D. WILLIAMS

WHEN WHOLESALE COST FOR ELECTRIC power goes up or down in Texas, a certain portion of that cost is passed on to every Texas electric consumer.

There are a few communities along the edges of Texas that are not a part of the ERCOT (Electric Reliability Council of Texas) electric market, but we are not in one of those areas so I will skip over those few exceptions. Two of the most significant changes this year is Transmission Expense and the price of Natural Gas used to generate electricity. The price for Natural Gas is low, but not as low as it was a couple years ago. On the other hand, Transmission Expenses have been increasing, primarily due to plans to help increase wind generation in West Texas. Many have asked me why our Power Cost Recovery Factor is higher this year than recent years and one of the reasons is Transmission Expense is a part of the wholesale power cost

for Lamar Electric.

As wholesale power cost changes, the Power Cost Recovery factor on each of your electric bills is changed. This monthly factor is simply a reflection of our wholesale cost for power (we don't generate any ourselves). None of the revenue generated or revenue



decreased (when it was a credit a year or so ago) has anything to do with paying for the day to day operation and maintenance of Lamar Electric. And, No it has nothing to do with paying for the December 2013 ice storm. The part of our retail rate that is retained by Lamar Electric has not changed since 2006. Our retail rates have a base wholesale power cost per kWh sold, built in since 2006, and any increase or decrease above that cost is passed directly through on each retail bill as a Power Cost Recovery Factor. The factor is multiplied by the kWh used by each member. Because our wholesale power cost changes every month, our power cost recovery factor is adjusted almost every month. None of the Power Cost Recovery revenue is retained by Lamar Electric; it is all used to pay for wholesale power and only wholesale power. Now that you understand how our power cost recovery factor works; Transmission Expenses that drive up

wholesale power cost may be of more interest.

Current increases in wholesale power cost can be traced directly to an act of the 2005 Texas Legislature. Many big investors wanted to build thousands of large wind turbines in West Texas and the Panhandle but were faced with getting the power to the growing cities of Dallas, Houston, Austin and other large Texas cities. The answer came when the Texas legislature approved Senate Bill 20 which established Texas's Renewable Energy Program and directed the Public Utilities Commission (PUC) to identify Competitive Renewable Energy Zones (CREZ). A CREZ is a geographic area where wind generation facilities will be constructed. In 2008, PUC issued order 33672 designating five CREZs for the generation of wind power and the required transmission lines to deliver wind generated energy to Texas consumers.

Part of Senate bill 20 provides that: If the (PUC) commission issues a certificate of convenience and necessity or orders an electric utility or a transmission and distribution utility to construct or enlarge transmission or transmission-related facilities to facilitate meeting the goal for generating capacity from renewable energy technologies the commission shall find that the facilities are used and useful to the utility in providing service for purposes of this section and are prudent and includable in the rate base, regardless of the extent of the utility's actual use of the facilities.

Originally it was estimated that building transmission lines to the five West Texas areas would cost \$4.9 Billion. When the transmission lines were completed this year, the price tag came in at almost \$7 Billion. PUC rules allows transmission line expenses to be passed on to every electric customer in the state, regardless of where your electricity comes from. Many private utility companies lined up for the opportunity to build CREZ transmission lines. A big motivator was a guaranteed return on their investment of over 10%.

Where else could you invest hundreds of millions of dollars and get a guaranteed return on your money from the Public Utility Commission that is based on every Texas electric customer paying the tab? Using a simple 10% return on their investment of about \$7 Billion, results in an increase in wholesale power cost of \$700 Million, which will continue for the next 20 years or so. This doesn't include the cost to maintain the new transmission lines. The PUC estimates that residential customers will pay \$5 to \$7 per 1,000 kWh used each month for the next 15 to 20 years. That is the equivalent of a PCRf factor of \$0.005 to \$0.007. In a prior article I warned that "Everyone



A Touchstone Energy® Cooperative 

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in Texas will be required to pay more for electricity because billions of dollars are being invested in building electric transmission lines to remote areas where wind turbines are being constructed.” Texas Co-op Power, March 2011. That time has arrived.

But, it is not over. Now a plan is underway to further expand the West Texas transmission grid that could cost an additional \$2 Billion. All of this is passed on to each and every electric customer, regardless of where you get your power. None of the wholesale power purchased by Lamar Electric comes from this West Texas wind power, but we are required to pay a portion of the CREZ project expense based on our proportional load to the total ERCOT load.

Some think that because wind is free, then power generated by wind should be cheap. Even with free wind, the cost to generate power is actually close to 25 cents per kilowatt-hour, which is about three times the amount Lamar Electric pays for wholesale power. Our friends in Washington DC help the wind turbine investors with a federal subsidy of 2.3 cents per kilowatt-hour called Production Tax Credit, in addition to other tax credits.

The CREZ transmission lines have resulted in Texas having more wind power than any other state in the nation. We now have more than 11,000 MW of commercial wind power capacity. That is pretty good when you consider the peak hour within ERCOT, needs about 67,000 MW of power.

The problem is that despite spending \$7 Billion for transmission lines to connect with West Texas wind power, the wind is unreliable. During the peak times for electricity this past summer, over 91% of the wind turbines were not turning! A lot of money has been invested in wind power and less than 9% of it can be counted on when we need it. We still need the Coal, Natural Gas and Nuclear generating plants. Backup power sources are needed for every wind turbine, unless you want to have black outs when power use peaks. All those generating plants must be paid for, regardless of how much they are used, and now we get to pay for the transmission lines connecting us to wind turbines in West Texas, even if the turbine blades are not turning.

Wind may be free, but Wind Power is not.

Scammers Are at It Again

SCAMMERS POSING AS LAMAR ELECTRIC COOPERATIVE employees have been active in rural areas around Paris. These thieves normally target the elderly but have been known to target businesses as well. The caller tells members that their accounts are delinquent and the members will need to pay immediately or their electricity will be disconnected. The members are directed to pay over the phone with a credit or debit card to pay their electric bill.

Several of our members have been contacted in the past few months that we know of. The thieves are primarily contacting our members in the evenings and on weekends. We want our members to be aware of the scam so they can be prepared should they receive such a phone call.

Lamar EC requests any member who receives a suspicious call to ask the name of the caller and a phone number to call back, then to hang up and immediately report it to the sheriff’s department and notify the co-op. Asking the caller for any information, like a name and phone number, may help authorities locate the source of this scam.

Please remember that Lamar EC has an automated system for contacting customers after 5 p.m. The automated system calls delinquent accounts as a reminder. The recording will not ask for a payment and does not have the ability to take payments over the phone. Lamar EC never disconnects an account for nonpayment after hours or on weekends.

GENERAL MANAGER AND CEO

Jerry D. Williams

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Member Benefits

- Level billing
- Automated meter reading
- Free bank draft service
- E-Bill
- Visa and MasterCard accepted

Your Local Pages

This section of Texas Co-op Power is produced by LEC each month to provide you with information about current events, safety, special programs and other activities of the cooperative. If you have any comments or suggestions, please contact the local office.

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CALL US

(903) 784-4303 local or
1-800-782-9010 toll-free

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Government-in-Action Youth Tour 2015

EVERY SUMMER, TWO Lamar Electric-area teens are selected for a weeklong trip to Washington, D.C. This year, the trip will take place June 10-19. This unique trip will give students the opportunity to watch history come alive as they explore the museums, memorials and monuments with other students from Texas. They will meet student leaders from nearly every state and hear dynamic leaders on Youth Day. Bottom line: Participants will make friendships that can last a lifetime and be part of a group that has more than 50,000 alumni from every walk of life, including U.S. senators and CEOs.

While in Washington, tour participants from Texas will visit their congressmen, tour the House and Senate chambers, the Supreme Court and the Library of Congress, and they will have photo sessions on Capitol Hill and in front of the White House. The group will also see the wreath-laying ceremony at the Tomb of the Unknown Soldier and tour Arlington Cemetery; the Lincoln Memorial; Vietnam Veterans Memorial; World War II Memorial; Petersen House; the Smithsonian Museums of American Art, Natural History, American History and Air and Space; Union Station; and the Old Post Office Pavilion.

In addition, the students will visit the Fashion Centre at Pentagon City and Hard Rock Café, experience a Washington-at-night driving tour and see the Sunset Parade at Iwo Jima.



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On the final night in Washington, D.C., Youth Tour groups from all states will come together for a dinner and dance.

Miranda McNabb, Lamar EC's 2014 Youth Tour winner, says, "I enjoyed having the opportunity to see all of the different historical places and artifacts. It was very interesting and helped me connect a lot of information I had learned during school. I will treasure this trip forever, as well as the new friendships I made while on the trip. It was such an awesome experience."

Trey Scudder, a junior at North Lamar High School, also participated in the 2014 Youth Tour. "My future plans involve a career in the military, so visiting all the war memorials and Arlington Cemetery was very

special for me," he says. "I learned a sense of respect and admiration toward our veterans, seeing firsthand what sacrifice looks like. It was a great honor for me to have the chance to pay respect to the men and women who fought to give the rest of us our freedom. The entire trip from beginning to end was awesome, and I will never forget it the rest of my life."

To be eligible for the 2015 Government-in-Action Youth Tour contest, applicants:

- ▶ Must be a sophomore, junior or senior in high school, AND
- ▶ Must live full time in a residence served by Lamar Electric Cooperative OR must attend one of the four high schools serviced by Lamar Electric: Detroit, Prairiland, Roxton and Faith Christian. Home-schooled students in homes served by Lamar EC are also eligible.

How To Enter:

Let us know a little information about yourself and send us a three-page essay (about 500 words) on "Why Is Electricity Important to Me?" It's that simple!

Five finalists will be chosen by co-op staff, and after an in-person interview, two winners will be chosen.

The application can be found on our website at lamar.electric.coop.

Once the information is entered on the application, simply click the Email button, attach your three-page essay (must be in PDF or Word format) and send to: dctrip@lamarelectric.coop.

You can also mail the completed application and essay to Lamar Electric, P.O. Box 580, Paris, TX 75461, or bring it by our office at 1485 N. Main St., Paris.

Entries must be received by 5 p.m. February 13, 2015.

Lamar Electric Government-in-Action Youth Tour 2015 Application

DEADLINE IS 5 P.M. FEBRUARY 13, 2015.

Name _____

Address _____

Name of High School _____

Parent/Guardian Name _____

Lamar Electric Account No. _____

Phone No. _____

Email Address _____

Applicant hereby acknowledges that this essay becomes the property of Lamar Electric and may be published.

Applicant Signature

Date

Merry Christmas

from Lamar EC. Our offices will be closed December 25 and 26.

RIGHT: Top row, from left: Ryan Dean, Dustin Dale, Drew Conder and Charlie Brazeal

Second row: George Scroggins, Chevis Springer, Ronnie Bridges, Ricky Crump, Cory May and Will Armstrong

Third row: Casey Martin, Danny Michaels, Jay Henry and Michael Sorensen

Fourth row: Larry Bills, Scott Sansom, Jerry Williams, Jose Recendiz and Wade Niblett

Front: James Smith and Jesse Smith

BELOW: Back row, from left: Bryan Story, Jerry Williams, Rachael Whipkey, Barry Murchison and B.J. McCoy

Middle row: DeLana McFadden, Gretta Ashford, Laura Williams, Marci Thompson, Betty Wood and Leslie Collard

Front row: Tessi McFadden and Dena Beason



Country Corner Events

December 5-6

Christmas in Fair Park. Friday 4-8 p.m., Saturday 9 a.m.-4 p.m. Red River Valley Fairgrounds. rrvfair.org. Enjoy a day filled with fun and shopping!

December 5-6

The Horse Flea. Paris Horse Auction, 9 miles west of Paris on Highway 82. Kevin Cannon at (903) 348-3694, horseytack.com

December 6

Annual Lighted Christmas Parade. 6 p.m. Downtown Paris. (903) 784-2501
Lighted Christmas Parade, Theme: "A Starry Night."

December 8

Clarksville Christmas Parade. 4:30 p.m. Downtown Clarksville

Looking for a new way to report your outage?



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If you have any questions or concerns, give us a call at (903) 784-4303.