BVEA TO CHANGE PRICING STRUCTURE

The Texas ice storm and the California heat wave caused major power outages and have fundamentally shifted the way electricity is priced. There are two pieces to a wholesale power bill; one is energy and the other is capacity. Energy is abundant but capacity is limited thus causing capacity to increase in value while energy decreases in value. Texas is a great example of this issue. When it dropped below freezing in Texas last year everyone tried to call for more electricity. The system didn't have enough generating capacity to supply everyone the increased amount. That overloaded the system and it crashed. The same thing happened in California but for just the opposite reason. It got very hot and everyone cranked up the air-conditioning. The system wasn't built large enough to handle the total demand so it crashed. Capacity is a measure of the amount of electricity that can be generated at any moment in time. Owners of power stations must anticipate the peak demand for electricity and build enough generation to meet that need even though that means that most of the time the full amount won't be needed. A car is a good way to explain the difference between energy and capacity. For a car to run it must have fuel. It may be diesel, gasoline, propane, or electricity. Without fuel the vehicle doesn't move. That is energy. But fuel by itself is not worth much. You must have an engine and autobody to use the fuel. The physical car is the capacity. If the car has a small engine, it has a limited capacity. If it has a large engine, it has the ability to go at higher speeds even though it rarely goes full speed. It costs more to build a large capacity engine so they cost more to buy.

This shift in the structure of electricity pricing is causing Bridger Valley Electric to change the way it charges for electricity. A recent analysis of our pricing by an outside company determined that for the residential class we are over charging for energy but under charging for capacity. Going forward we plan to reduce the amount we collect per kWh and increase the amount we charge for capacity. We will be providing details in the near future. For additional information please visit our web site @bvea.coop