

## Rate Increases...continued

Many of Indiana's rural electric cooperatives are facing the need to implement a price adjustment. Currently there are a number of issues impacting the electric industry that are forcing cooperatives to examine existing pricing structures.

- **Inflated rates for shipping coal by rail**
- **Higher natural gas prices** (causing an increase in wholesale power costs);
- **Escalating environmental compliance costs for power plants**
- **Need to build more power plants**
- **World energy demand**
- **Global conflicts**
- **Inflation and local pressures** (such as an increase in the costs of materials, rising insurance costs, increased labor costs, general overhead, etc);
- **Increased demand during peak generation periods** (for example, during the recent winter months when Hoosiers experienced record-setting colder-than-normal temperatures.
- **Capital expenses to maintain system reliability** (for example, cooperatives may upgrade 20 miles of line per year. This results in multi-million dollar investment to replace lines, poles, etc.)
- **Repairing and rebuilding lines due to storm damage**

### *Coal fired generation / environmental compliance*

As energy demand continues to be on the rise, the need for more coal-fired generation also increases. Some of the rate stability many co-op members-consumers have enjoyed in the past couple of decades can be attributed to the coal-fired power plants built in the 1970s and early 1980s.

Today, due to stricter environmental regulations, the need for new eco friendly power plants, coal shipping costs and higher natural gas prices; these issues will influence the upcoming overall rate increases.

Thirty years ago the average cost for a coal-fired generating unit was approximately \$400 per kWh. Today, a new unit costs nearly \$3,000 per kWh. The equipment on power plants, to comply with state and federal regulations that protect public health by reducing nitrogen dioxide and sulfur dioxide emissions, are significant contributors to the increased costs.

As stated in October's Electric Consumer, we have been able to maintain the current rates since May of 2007 our first increase in over **3** years.

As your local co-op, our primary goal is to minimize the effects of potential increases while maintaining cost effective, reliable energy service that you can count on.

While virtually all aspects of today's cost of living continue to rise, we've successfully avoided routine price adjustments in our local costs. These adjustments are something we only consider when we absolutely must. We believe that reliable service at a reasonable price is something you can count on and that we deliver on a daily basis

Recently, Decatur County REMC and Hoosier Energy also faced price increases due to a rise in purchased power prices and increased demand, on the heels of an unusually cold winter. We must ask you to also share in these costs. Maintaining dependable service at the most affordable price possible remains the cornerstone of our business. To accomplish this goal, we must also protect the integrity and financial stability of our organization. Another solution is effective long-range planning. Please be assured that we are proactively planning for your future energy needs. We work hard to anticipate any potential issues that could escalate the costs of energy. Whenever possible, we work to minimize the impact those issues could have on your energy bills. In addition, we do what is necessary to maintain and enhance the reliability of your service.

There are times unforeseen circumstances cause change or have the potential to change the stability of our cooperative. This is one of those times. Although we must raise our price to cover costs of doing business, we are committed to ensuring this occurrence has the smallest possible impact on you.

We are committed to providing you with reliable, affordable and environmentally responsible electric service. If you have any questions or concerns regarding this rate adjustment, we encourage you to call our offices at 812-663-3391 or 800-844-7362. We will do our best to answer your questions and we look forward to working with you on ways that you may be able to reduce your monthly bill. One strategy may be to implement energy efficiency improvements in your home or to calculate your energy use and budget it over the year. Look for more ideas each month in our newsletter and our website.

We're here to help and to deliver the reliable power you've come to know and respect.