

Rate Change Questions Answered

With the rate changes taking place in April, it is reasonable to expect questions and concerns. No one likes to have increases. Therefore, we have tried to anticipate some of the questions you may have. Those questions, with answers, are listed below. If you have a question not included, please call our office. As your cooperative, we are working diligently to keep the costs from rising.

Why is there a monthly facility charge?

The facility charge covers the cost of a minimum system to make electricity available to you along with those member-related costs that occur one time per month. The minimum system is the poles, wires, meters, and other equipment needed to allow you to access the electric grid. Expenses that occur once a month include among other items reading the meter, calculating and sending the bill, and receiving the payment.

Other utilities including water, gas, telephone, and satellite TV have a monthly charge also.

Why raise the current \$20.00 monthly facility charge?

The current \$20.00 facility charge only covers part of the total monthly member-related costs. The 2006 Cost of Service Study showed the monthly facility charge in 2007 should have been \$30.47. The extra \$10.47 above the \$20.00 facility charge was recovered by having higher rates for the first 1,000 kWh of usage. In the current rates, the energy charge for usage above 1,000 kWh is 6.6 cents per kWh. The energy charge for the first 300 kWh is 9.3 cents per kWh. The energy charge for the next 700 kWh is 8.3 cents per kWh. These two higher rates help to recover the \$10.47 not recovered in the \$20.00 monthly facility charge. Those members using less than 412 kWh monthly were not fully paying the monthly cost to provide access to the electric grid. Those members using more than 412 kWh monthly were paying more.

Why is the proposed monthly facility charge \$34.50?

The new 2009 Cost of Service Study shows the total monthly member-related cost is \$34.50. By charging each member this amount, the energy charge for each kWh can be a flat rate for all kWh used. There will be no subsidy from one member to another in paying for the total monthly member related costs, keeping rates fair and equitable.

Why is the proposed monthly facility charge of \$34.50 higher than Duke Energy's connection charge of \$9.40?

The biggest factor is the difference in member density. It was mentioned earlier that the monthly facility charge covers the cost of providing the minimum system. The cost to build a mile of distribution line for the minimum system is very similar whether it is on our system or Duke's system. We serve less than 8 members per mile, while

Duke serves more than 30 customers per mile. Spreading the minimum cost over 8 members per mile will yield a higher monthly charge than spreading the same minimum cost over 30 customers per mile.

Why do the energy charges vary by season?

The three different energy charges reflect the cost of generation during the three seasons. The winter season is December through February. The summer season is June through August. The shoulder season is the remaining six months: March through May and September through November.

During the shoulder season, most of the energy used is generated by coal fired plants that have the lowest fuel costs. During the winter and summer months, higher priced natural gas is used to generate the additional energy needed as well as purchasing higher priced power on the wholesale market.

The seasonal energy charges more accurately reflect the cost of generating the energy during these seasons.

Doesn't this rate have a greater impact on lower income members?

Lower income members generally live in older homes that may be relatively energy inefficient, so their energy usage may be above the average. They have older, less efficient appliances and in some cases are home all day. With no monthly fixed charges recovered in the energy rate, these members do not overpay the fixed charges.

What about the other low usage members paying more each month?

Services to garages, barns, remote wells, and seasonal camping sites have very low usage that is sporadic. The current monthly facility charge does not recover the fixed costs incurred to provide service. This results in the above-average usage member subsidizing that part of the fixed cost not recovered in the monthly facility charge. Having the monthly facility cost cover all of the monthly fixed costs eliminates this subsidy, providing fair and equitable rates to all members.