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## ELECTRIC RATES: WHAT DOES IT ALL COST?

As the trees shed their colorful foliage acknowledging another autumn season is unfolding, the management staff of your Cooperative has begun the annual process of evaluating next year's required revenue to meet expenses needed to formulate a budget for Board approval. The most difficult part of this analysis is the duty to preserve the impact of the electric rates while still acquiring the operating revenue needed to fulfill the annual work plan to maintain the system's integrity and achieve the required return of equity, growth in utility plant, and return of capital credits to you, our member/owners. The dilemma we continually face is that it requires a certain amount of growth in sales to absorb the natural inflationary up surging costs associated with: materials, contractor expenses, equipment, and wages and benefits. With a meek growth of approximately sixty new accounts a year and declining sales for 2015–17 because of milder weather conditions, the operating revenue has been less than historical averages annual budget projections. On a positive note, this year's sales are hitting budget for an average year of 67M kWhs sold.

It's instrumental to not only convey why there's a potential of a rate increase but also how we are performing to maintain the existing rate. A careful examination of energy rates over the last fifteen years clearly illustrates what we have accomplished in the last five, which is reducing rate increases to you, our member/owners. Rate increases for a residential member (49% of the membership) over the past five years, utilizing 763 kWh a month usage basis, has been only 5%, whereas it is 82% for the previous ten years. That's an 87% increase over fifteen years. Our objective the last five years was to reevaluate expenses, as well as the process and procedure to increase efficiencies and streamline procedures to decrease expenses. Given this, we have been successful in maintaining the rate for three of the last five years. During this time, we have also been able to achieve a stellar

safety record and reduce outage occurrences and minutes that affect you without hindering expenses. That's two of the three objectives in our mission statement: safe and reliable. The third is the affordability that we are presently discussing.

The twenty-year sales forecast is a continuation of our current state. Minimal growth with average electric sales unless we experience a dreadfully cold winter or an extremely warm summer. The wholesale power purchasing is a little more uncertain, but Dairyland Power CEO Barb Nick, would like to keep all annual increases under 2%.

We are hoping she will attain her goal. There has also been some question as to whether an increase in the new year would be attributed to the construction of your new Member Service Center. The answer to this question is yes, a small portion would be. The cost of service survey conducted in 2016 indicated that a 4% increase in operating revenue was required to account for the increase to principal, interest and depreciation. Two percent of this was applied to the



2017 rate increase, but there was no increase in 2018, and thus there is another 2% still needed, if approved by your Board of Directors. Two percent equates to a little more than \$2 a month for a residential member consuming 763 kWhs. More or less consumption would alter this amount. Any additional rate increases would be associated with our wholesale power purchases. A comparison of the Consumer Price Index (CPI) and Cost of Living Adjustment (COLA) to Price Electric's energy rate increases during the last five years show that the 5% energy rate increases were much less than the inflationary CPI and COLA total of 13.3%.

The reason I mention all of this is that there is a need for a rate increase which will be brought before the Board within the 2019 budget presentation at the end of 2018. If approved, a change in the electric rate would occur on January 1, 2019. This would only be the third annual rate increase in six years and twelfth in sixteen years.

It's important for me to communicate that we are truly applying every effort to minimize costs to do so.