

2017 Rate Increase Q & A

Why is High Plains Power raising electric rates? As a not-for-profit cooperative, we don't raise rates to generate profits. We raise rates to cover the cost of doing business and only when absolutely necessary. The price we pay for wholesale energy to Tri-State Generation and Transmission increased 4.23% for 2017. Wholesale power costs make up 81% of High Plains Power's expenses. That means 81¢ of every dollar collected goes to Tri-State and only 19¢ is the amount we use to operate our whole system. The 19¢ covers how that energy is delivered to you. This 19% of money collected is used to service our 12,500 square miles of territory which includes about 80,000 poles, over 4800 miles of line, and about 54 substations. Please keep in mind within this vast territory we serve on average 2.7 member/owners per mile.

How were the rates determined? High Plains Power commissioned an outside rate consulting firm to conduct a cost of service study. A cost of service study analyzes the cost to provide electric service to each rate class. There are 5 rate classes which are classified as residential, seasonal, irrigation, commercial and industrial. All the costs are unbundled for each rate class to make sure that each class is paying the appropriate amount to cover the costs to serve them.

Is High Plains Power changing the facilities charge or the kWh rate or both? Both. According to the cost of service study, High Plains Power should be collecting an adequate amount for the facilities charge. For the residential class, the study indicated that the cost of having minimum service available is about \$30 per month. The kWh rate for residential services has been increased from \$0.10521 per kWh to \$0.10845 per kWh. Please see the link for the complete 2017 rate tariff.

What does the facility charge represent? The facility charge is designed to cover each member/owner's share of the cost for maintenance of poles, wire, transformers, meters, right-of-ways and other expenses on the distribution system associated with providing electric service and access to the electrical infrastructure. Because all cooperative member/owners benefit from having reliable electric service available when they want it, the facility charge ensures that everyone pays their fair share of the fixed costs – costs that exist whether or not a single kilowatt hour is used.

I've been a member/owner of the cooperative for a long time. Shouldn't these fixed costs of the distribution system have been recovered by now? Fixed costs could be compared to a car. For the lifetime of a car, you will always have costs associated with having the car, such as a loan to purchase it, insurance and maintenance costs. Even if the maintenance of the car is kept up, eventually you will need to replace the motor, tires, or even purchase a new car. This is also true for the distribution system in the utility industry. Although you may have been a cooperative member/owner for a long time, there is a good chance that very little of the original equipment that was initially installed to provide you with electric service is still in place. High Plains Power is constantly at work maintaining the distribution system to provide you with reliable service. The fixed costs that were initially incurred to provide a member/owner with service have been replaced with new fixed costs as the cooperative performs the necessary maintenance to keep the system operating reliably.

Why is the seasonal rate class increasing so much? In general, the seasonal accounts use less kilowatt hours. The seasonal class is mostly comprised of second homes and seasonal water wells.

Why are the commercial/industrial classes receiving a lower increase? The cost of serviced study indicated that, the commercial/industrial class has been paying closer to its cost to serve.

What can I do to reduce my electric costs? The most important thing you can do is practice conservation. By simply turning things off or down, you can reduce your electric bill. Set you water heater to 120 degrees. Adjust your thermostat for heating and cooling. Replace lightbulbs with LED lightbulbs. In addition, check out the rebates that are available through Tri-State for things such as upgrading to Energy Star appliances and installing a new electric water heater.

Based on kilowatt consumption, a residential member will see the following increase:

Residential Monthly kWh	Current	New	Monthly Difference
0	\$22.00	\$30.00	\$8.00
500	\$74.60	\$84.22	\$9.62
(System Average) 962	\$123.21	\$134.32	\$11.11
1500	\$179.81	\$192.67	\$12.86
2000	\$232.42	\$246.90	\$14.48

Comparisons of “facility charges” or minimum charges for different services.

High Plains Power	\$30/month (2017 facility charge)
Cell Phone	\$40/month
Cable TV	\$60/month
Internet	\$60-\$80/month