

# 2009 Rate Adjustment Frequently Asked Questions



A Touchstone Energy® Cooperative 

## Exactly how will the rate structure change for the residential member?

KEC is considering raising the service availability charge (formerly the facility charge) from \$10 to \$16.50 a month and setting the kilowatt-hour rate of energy at 6.4¢ per kWh for the first 2,500 kWh and 7.3¢ per kWh for over 2,500 kWh. For the average residential member (those using an average of 1,000 kWh per month) this is an average increase of \$8.50 a month or 11.8%. KEC is also proposing the addition of a power cost adjustment provision to reflect future changes in the Cooperative's wholesale power costs.

## When will the rate adjustment be effective?

The adjustment is proposed to be effective with the October billing cycles.

## What is the service availability charge?

The intent of the service availability charge is to cover a portion of the costs we incur to build and maintain the system that carries the electricity to your home or place of business. Even if no electricity is used, we still face these expenses in keeping the facilities in place to deliver energy. Those costs include substation and power line improvements, maintenance and repair, billing, accounting, the repayment of loans, and member service.

## Is KEC working to keep costs down and rate increases to a minimum?

Yes. We understand a rate increase is difficult for members. KEC's Board of Directors and management work very diligently to keep costs low by continually looking for ways to reduce our costs of operation. KEC is a not-for-profit electric cooperative. That means we sell power to you, our members, at cost.

## What else influences costs?

KEC does not generate power on its own – it purchases all its electricity from the Bonneville Power Administration (BPA). The power rates BPA charges us cover many costs including power-related costs of the federal Columbia River Power System dams and BPA's work in fish and wildlife protection, energy conservation and renewable resource development.

Also, Northwest electricity consumers (KEC members included) contribute more than \$800 million each year through their energy bills to help fish and wildlife protection. Approximately 15% of the Northwest residents' electricity bills go to fish protection, the largest effort to help an endangered species anywhere in the world.

## When was your last rate increase?

KEC last increased rates in September 2006. Our rate increase in 2006 was the first time our rates were higher than the rates in 1993. Also, the KEC membership has increased by approximately 47% in the last 10 years.

## How can I lessen the impact of this increase?

Increasing costs make energy efficiency more important than ever and we will continue to urge you, our members, to take advantage of our incentive programs and government tax credits. KEC offers many rebates on energy efficient products to our members—from appliances to heat pumps. We sell compact fluorescent light bulbs (CFLs) at a reduced cost or you can receive a free low-flow shower head if you have an electric water heater. The smarter we are right now about our power use, the less power we'll need in the future.

## How did you determine the rate?

KEC management has studied what it costs to serve our various members and designed rates to fairly recover those costs. After a thorough analysis, the KEC Board of Directors selected a proposed rate structure that safeguards and maintains the financial health of the Cooperative. This rate structure was designed to be fair and reasonable to all members.

### **Why did you select an inverted or tiered rate?**

KEC selected an inverted (tiered) rate structure to provide an incentive to encourage energy efficiency and conservation efforts. At the same time, we designed a rate that did not adversely affect those who have chosen the benefits of an all-electric home. The 2,500 kWh threshold was established because the majority of KEC members with all-electric, energy-efficient, average-sized homes are within that usage range.

Another motive for selecting a tiered rate structure was a change in the way BPA will be billing KEC for its power purchases in 2011. They, too, have adopted a tiered rate by which our load growth will be billed at a higher rate reflecting the cost of new power production facilities.

### **What are you doing about future power supply?**

The KEC Board of Directors and management are in the process of researching many options for future power supply. As mentioned above, starting in 2011, BPA plans to offer a two-tier rate structure to its wholesale customers. The first tier of power would be supplied by the existing federal system, based on our current needs. The second tier of power would be sold at a higher cost and KEC is looking for alternate options and may purchase power from other sources.

### **Will my bill continue to increase in the future?**

Looking forward, the electric industry faces many challenges such as adding more renewable energy, complying with additional energy legislation (Cap and Trade) and updating the transmission system. Meeting these challenges means a cleaner environment and reliable electric service, but it will also require significant investments that will impact members' bills in the future.

Access to affordable electricity is critical for all of us. Join the Our Energy, Our Future™ grassroots awareness campaign at [www.ourenergy.coop](http://www.ourenergy.coop) and tell Congress to put a cap on Cap and Trade.

### **Why can't KEC just absorb the costs?**

Since our last rate increase was filed in 2006 we have worked hard to absorb increasing costs by using technology to work more efficiently and making cuts where possible. However, beginning in October 2009, the cost of power we purchase from BPA will increase approximately 7.5%. This resulted from their increased costs of doing business. We, too, have experienced increased costs of doing business. The cost of purchased power is just one of many. As a result, it is necessary for us to raise our rates as well.

### **When is the membership meeting?**

The membership meeting is scheduled for Tuesday, September 29, at 7 p.m. at the Coeur d'Alene Inn, 414 W. Appleway in Coeur d'Alene.

### **How can I give my comments to the Board of Directors?**

An important part of the process of establishing new rate structures is the opportunity for our members to comment or express any concerns they may have about the proposed rates. All comments from members must be received in writing by September 28, 2009. Comments should be mailed to KEC Member Comments, PO Box 278, Hayden, ID 83835-0278; faxed to (208) 209-0470; or sent via e-mail to [ratecomments@kec.com](mailto:ratecomments@kec.com). You may also attend the membership meeting on September 29.

While the Board of Directors has the final authority in determining all changes in rates, as well as, rules and regulations governing the Cooperative, we welcome and value your comments.

### **What if I have questions?**

KEC encourages members who have questions to contact us by calling (208) 765-1200.