

Frequently Asked Questions

1. How much will my bill increase?

On January 10, 2010, Adams-Columbia Electric Cooperative will implement a new rate schedule that will affect members in every rate class. Members will see the new rates in the bill received in January or early February. For the average ACEC member using 1,000 kWh of electricity per month, this will result in an increase of approximately ten percent in your energy charge and \$3.00 in your facility charge, for a total increase of about 11 percent.

2. What is this increase for?

The majority of this increase is to cover the increased costs of our power supply (both generation and transmission), in fact this accounts for 75% of the increase. The remaining 25% is to cover the increased costs of our distribution system including the construction of facilities and the added labor costs we have seen over the past two years.

3. What is a facility charge?

A facility charge is a monthly charge that every Adams-Columbia Electric Cooperative member pays to help cover the basic cost of bringing electricity to their location. This charge covers such things as trucks, wire, transformers and power poles needed to build and maintain the electric distribution system, labor to build and maintain the lines, cost of insurance, interest, and taxes. These are just a few of the expenses the cooperative must pay, regardless of how much electricity each member uses.

All co-op members benefit from having electrical power available when they need it; a monthly facility charge ensures that every member pays a fair portion of the co-op's basic costs. Adams-Columbia serves a diverse membership. Some of our members use a lot of electricity all year long, and some may use electricity just one or two months of the year. Whether you use a lot or a little, for three months or twelve, the cost of getting electrical power to your home is the same. That's why your electric bill has two charges; the facility charge for the basic costs, and the per kWh charge for the actual amount of electricity used. (Also refer to talking points above regarding facility charges).

4. I'm not at my cabin/second home for nine months of the year, why should I have to pay the facility charge when I'm not there?

The electric utility business is capital intensive – it takes a lot of money to invest in all the facilities (wires, poles, underground cable, boxes, and transformers) and

labor to bring electricity to your home. It is not practical to build all of these facilities for the summer and then remove them in the fall. We leave them in place to serve your home or cabin whenever you might choose to use it. Since the facilities are still there, the cost of those facilities continues even though you aren't there to enjoy them. It's not much different than paying the mortgage or property insurance even when you aren't there.

5. The wires in my yard have been there for 30 years; surely the cost for those can't be going up?

Keep in mind that the facility charge covers more than just the wires or cable in your yard. It also covers the cost of wires and cable all the way back to our substation, and the cost to build, rebuild, and maintain those facilities continues to rise. One of the messages we get loud and clear from our members is they want reliable electric service. That is a bigger challenge in the rural areas where we have to build many more miles of line to serve all of our members, and the line clearing (tree trimming) costs alone are nearly \$2,000,000 each year.

6. I've been told that ACEC's facility charges are higher than other places because your consumer density is only six members per mile, but I live in a subdivision/area where the density is more like 30 or 40 per mile, like in a city, so why does our facility charge have to be so high?

Rates can never be an exact science, though we try. The industry standard in determining rates is to create customer classes such as residential, commercial, irrigation, etc. The rates for these customer classes are based on system-wide averages. ACEC, as industry standard, does not differentiate between residential densities; the costs for that class are not determined by rural vs. urban but rather the system-wide averages. Likewise, for our line extensions and line maintenance, we do not differentiate between the lower costs in farmland residential areas versus the higher costs in subdivision or urban settings.

7. After this rate increase, how will my rates compare to other utilities across the nation?

Your rates will be right about at the national average. The Energy Information Administration indicates that the average residential price for electric energy back in 2006 was 10.4 cents per kWhr and ACEC will be just above that in 2010. Our rates will also be comparable to other electric cooperatives in the state of Wisconsin and just above those of the Investor Owned Utilities, and lower than most if they, like ACEC, also have to raise their rates.

8. Will I still receive my capital credit refund?

Most likely the answer will continue to be “Yes”. Each year the board of directors makes a decision on whether or not to pay capital credits and if so, how much should be paid. Your board has maintained that capital credits should be returned on a regular basis. They have set up a schedule whereby members will continue to receive their capital credits without drastically lowering the equity level. A natural disaster or other unforeseen event could have an immediate effect on retiring capital credits in a given year. ACEC’s equity level is determined by the members’ percentage ownership share of the total value of our system. In 2009 the membership’s equity in their cooperative stood at nearly 40%, which gives ACEC access to better interest rates for our borrowing needs.

9. What considerations are taken into account when deciding on a rate increase?

A decision to raise rates is never easy, nor is it a quick process. Some of the considerations are the annual budget, as well as a 10-year financial forecast; an annual construction plan, as well as a 10-year construction work plan; power supply costs; and strategic discussion that lead to an overall cooperative strategic plan. This information, plus decisions on where our equity level should be and how our ability to pay interest and capital credits will be affected, leads to a cost of service study to assign costs to different rate classes. After all of this work is completed, a rate design study is done to decide the most equitable way to allocate the costs to, and derive the necessary revenue requirement from, each rate class.

10. Why increase rates at this time?

There are four principle factors driving this latest rate adjustment. First is the increased cost of purchasing power from our wholesale supplier. The cost of purchasing power for our membership represents 57% of our total expenses, but this cost has been increasing faster than all other costs.

The second reason is the ever-increasing investment in our system. Our long range plan indicated many areas of our system that need upgrades. As we make investments to rebuild our system or add new lines to improve reliability the cost of these facilities are many times greater per mile than the lines we built 30, 40, or 50 years ago.

Next is our need to keep pace with operational and maintenance expenses, primarily related to labor and benefits. It is by no means the only expense, but right-of-way clearing is always a significant item in our maintenance budget. In recent years we’ve been even more aggressive in our efforts to maintain safe

right-of-way for our primary and secondary lines. Years of experience demonstrates a strong relationship between regular maintenance programs and improved system reliability.

The fourth factor behind the rate adjustment is really a result of the three just mentioned and our obligation to maintain margins at levels adequate to keep the business going. It's true that, as a cooperative, Adams-Columbia is a not-for-profit business. Every cent collected in rates above the cost of providing service is eventually returned to the members as capital credits. However, like any business, a cooperative must maintain reserves for day-to-day operations and to see them through unforeseen emergencies such as a major storm.

11. Are outside consultants used in this process or do staff and the board of directors do it?

Actually, it's a combination. A lot of work is done in-house by the employees and the staff of ACEC such as annual budget and financial forecast. Work plans are prepared each year and 10 year construction work plans are updated. An outside consulting firm did the cost of service study and rate design study. Going outside for this process, gives us an additional prospective on how we are allocating costs and assigning responsibility for revenue recovery. In the end, it is management's responsibility to make recommendations to the board of directors. In turn, the board must decide how and when a rate revision will be implemented.

12. What is the Power Cost Adjustment on my bill?

The Power Cost Adjustment, or PCA, that you see on your bill is an amount per kilowatt-hour that will either be added to, or subtracted from your bill each month. This is determined by how much ACEC has to pay its power suppliers for the energy our members need each month. This amount changes month to month depending on market conditions and the cost of fuel. ACEC builds a fixed amount of power costs into our rate to our members. When the cost we pay varies from the amount we build into our rates we need to collect the extra cost from you or refund the overcharge back to you. We will continue to show a PCA on your power bill, but we took the average amount that has been and built that into your base rates. This means the amount of the PCA should now be lower than it has recently been, and you will likely see more credits if power costs remain stable.