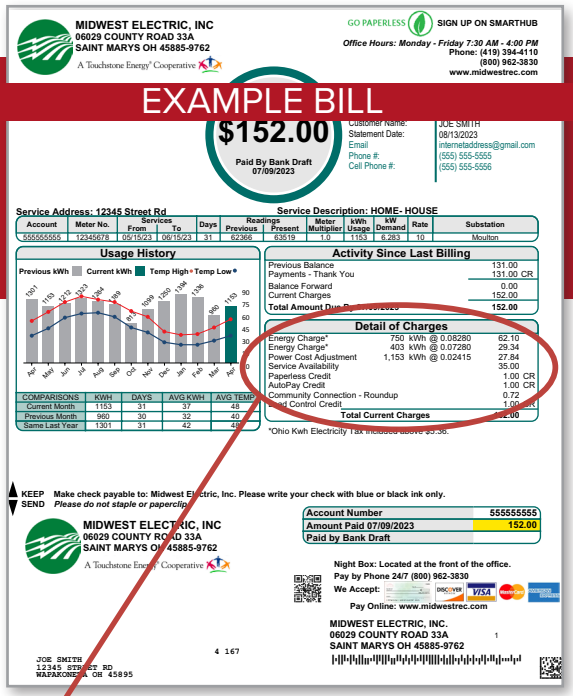
# Midwest Electric, Inc.

A Touchstone Energy® Cooperative

# Rate Increase 2023 – Frequently Asked Questions

## Understanding our NEW RATES

Starting on the bill you receive at the end of September, the average residential member will see an increase due to increased costs to operate the cooperative. Commercial accounts are being contacted individually. Learn more on our website, including ways to combat cost increases and reduce your bill: www.midwestrec.com/2023-rate-increase.


EXAMPLE BILL

MIDWEST ELECTRIC, INC
06029 COUNTY ROAD 33A
SAINT MARYS OH 45885-9762
A Touchstone Energy® Cooperative

GO PAPERLESS — SIGN UP ON SMARTHUB
Office Hours: Monday - Friday 7:30 AM - 4:00 PM
Phone: (419) 394-4110
(800) 962-3830
www.midwestrec.com

$152.00
Paid By Bank Draft
07/09/2023

Customer Name: JOE SMITH
Statement Date: 08/13/2023
Email internetaddress@gmail.com
Phone #: (555) 555-5555
Cell Phone #: (555) 555-5556

Service Address: 12345 Street Rd
Service Description: HOME- HOUSE

| Account | Meter No. | Services From | Services To | Days | Readings Previous | Readings Present | Meter Multiplier | kWh Usage | kW Demand | Rate | Substation |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 555555555 | 12345678 | 05/15/23 | 06/15/23 | 31 | 62366 | 63519 | 1.0 | 1153 | 6.283 | 10 | Moulton |

Usage History
Previous kWh | Current kWh | Temp High | Temp Low

| COMPARISONS | KWH | DAYS | AVG KWH | AVG TEMP |
|---|---|---|---|---|
| Current Month | 1153 | 31 | 37 | 48 |
| Previous Month | 960 | 30 | 32 | 40 |
| Same Last Year | 1301 | 31 | 42 | 48 |

Activity Since Last Billing

| | |
|---|---|
| Previous Balance | 131.00 |
| Payments - Thank You | 131.00 CR |
| Balance Forward | 0.00 |
| Current Charges | 152.00 |
| Total Amount Due By | 152.00 |

Detail of Charges

| | | |
|---|---|---|
| Energy Charge* | 750 kWh @ 0.08280 | 62.10 |
| Energy Charge* | 403 kWh @ 0.07280 | 29.34 |
| Power Cost Adjustment | 1,153 kWh @ 0.02415 | 27.84 |
| Service Availability | | 35.00 |
| Paperless Credit | | 1.00 CR |
| AutoPay Credit | | 1.00 CR |
| Community Connection - Roundup | | 0.72 |
| Load Control Credit | | 1.00 CR |
| Total Current Charges | | 152.00 |

*Ohio Kwh Electricity Tax included above $5.36.

KEEP / SEND — Make check payable to: Midwest Electric, Inc. Please write your check with blue or black ink only. Please do not staple or paperclip

MIDWEST ELECTRIC, INC
06029 COUNTY ROAD 33A
SAINT MARYS OH 45885-9762
A Touchstone Energy® Cooperative

Account Number 555555555
Amount Paid 07/09/2023 152.00
Paid by Bank Draft

Night Box: Located at the front of the office.
Pay by Phone 24/7 (800) 962-3830
We Accept:
Pay Online: www.midwestrec.com

MIDWEST ELECTRIC, INC.
06029 COUNTY ROAD 33A
SAINT MARYS OH 45885-9762

JOE SMITH
12345 STREET RD
WAPAKONETA OH 45895

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## Standard Residential Rate

What's the difference?

- $10 increase in Service Availability monthly charge
- $0.005 per kWh increase in energy charge (½ of a cent per kWh)

*Not an actual bill. Below bill examples based on 1,500 kWh home use*

| Current Standard Residential Rate | | |
|---|---|---|
| Energy Charge | 1,500 kWh @ .08280 | $124.20 |
| Power Cost Adjustment | 1,500 kWh @ .02796 | $41.94 |
| Security Light *(for those who have one)* | | $10.50 |
| Service Availability | | $35.00 |
| Total Current Charges | | $211.64 |

| **New** Standard Residential Rate | | |
|---|---|---|
| Energy Charge | 1,500 kWh @ .10040 | $150.60 |
| Power Cost Adjustment* | 1,500 kWh @ .01615 | $24.23 |
| Security Light *(for those who have one)* | | $11.50 |
| Service Availability | | $45.00 |
| Total Current Charges | | $231.33 |

## Residential Reduced Rate (Off-Peak)

What's the difference?

The current Reduced Rate is a one-cent discount for 2000 kWh for 8 months, with potential max savings of $160 per year compared to the standard rate.

The new Reduced Rate is a one-cent discount for 1000 kWh for 12 months, with potential max savings of $120 per year compared to the standard rate.

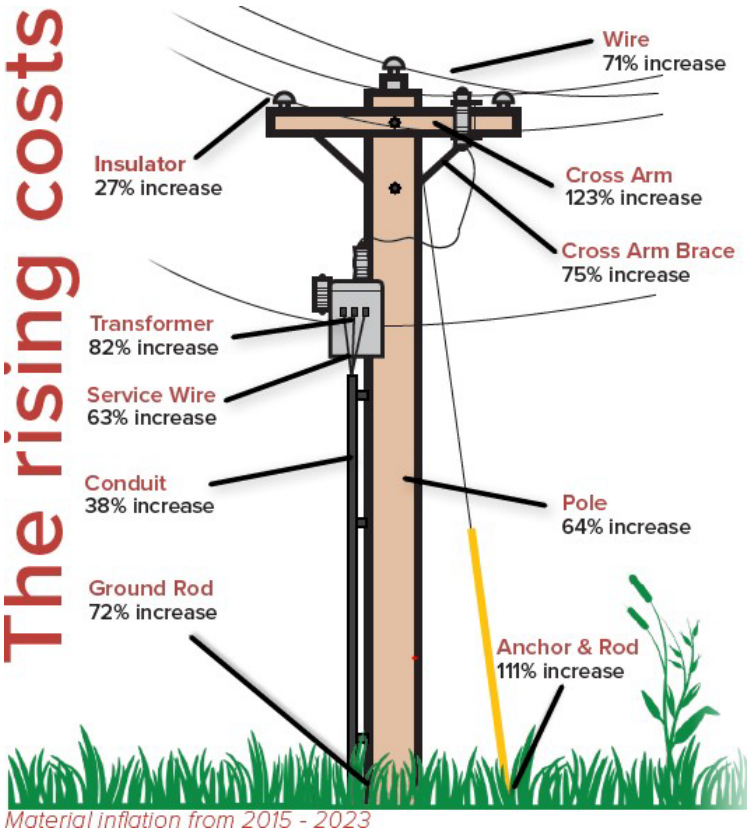
**Even after our upcoming increase, electric still costs less than propane to heat your water. An electric heat pump or geothermal also costs less than propane to heat your house.**

**The wholesale Power Cost Adjustment will continue increasing due to rising power generation and transmission costs.*

| Current Residential Reduced Rate (Off-Peak) | |
|---|---|
| Energy Charge: | |
| 0-750 kWh | $0.08280 |
| 751-2750 kWh | $0.07280 |
| 2751+ kWh | $0.08280 |
| Power Cost Adjustment | $0.02796 |
| Service Availability | $35.00 |

| **New** Residential Reduced Rate (Off-Peak) | |
|---|---|
| Energy Charge: | |
| 0-1000 kWh | $0.10040 |
| 1001-2000 kWh | $0.09040 |
| 2001+ kWh | $0.10040 |
| Power Cost Adjustment* | $0.01615 |
| Service Availability | $45.00 |

1. **What are the reasons why we need to increase rates?**
    a. Our costs are increasing faster than our revenue. Our last rate increase was in August 2010. Going 13 years without a rate increase puts us at risk of having insufficient funds to invest in electric reliability.
    b. We are not-for-profit and member-owned. We don't exist to make money for faraway investors. Any increase in revenue is only used to reinvest back into our electric system and office operations.
    c. Over the 13 years without a rate increase, we have seen our costs of doing business increase. We can only absorb those cost increases for so long. That includes the prices we must pay for poles, wire, transformers, meters, line equipment vehicles.
    d. Our electric system is valued at about $60 million and requires $3-4 million yearly, every year, in maintenance and upgrades.
    We aim to keep power available for you 99.98% of the time, 24/7/365.
    We've anticipated a rate increase each year since 2019, but we've been able to push it off each year without negatively impacting service.



*Material inflation from 2015 - 2023*

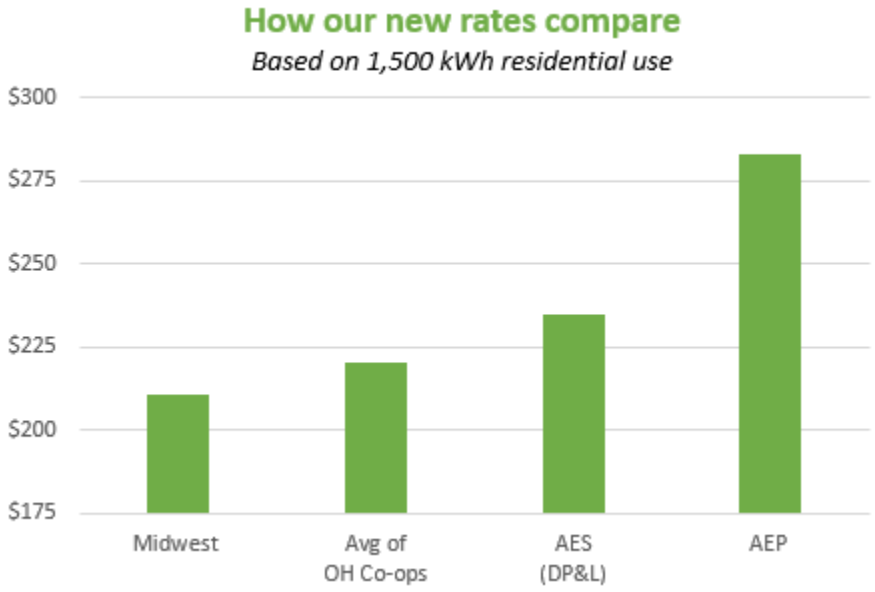
2. **How much will this increase Midwest Electric's profits?**
    a. Zero. We are not for profit. Any margin increase from this rate increase will be allocated back to you, to each member, and eventually paid back to you.

3. **Why not stop paying patronage cash back instead of raising rates?**
    a. Delaying or reducing the patronage payments could help reduce an electric rate increase. But it creates a fairness issue for the members who put money (patronage) into the cooperative. They would be taking the hit to give current members a benefit.
    b. We would still have to raise rates to maintain investments in electric service. Patronage is like a loan; it belongs to the members and legally has to be repaid.

4. **How much of an increase?**
    a. Total $2.4 million over current rates. This is overall an 8% increase. * Some rate classes will see higher than 8%, some will see lower than 8%.
    b. Residential rates will increase slightly over 9%. Commercial rates will increase by 2%. These are averages within each rate group. Individual members may see increases above or below the rate group average. You'll pay the same rate as the rest of your rate group, but the percentage impact will be different for you than for another member in your rate group. Typically, members who use more will see a lower <u>percentage</u> impact than members who use less.
    c. *Based on comparisons to our 2022 wholesale Power Cost Adjustment, PCA. The wholesale PCA will continue increasing due to rising power generation and transmission costs.

5. **Why such a large increase all at once? Why not gradually in steps?**
    a. While any increase can be difficult, around a 9% increase after 13 years is small. Especially considering AEP and AES have recently implemented increases of at least 28% or higher.
    b. We didn't need the increase until now, so we would've only been guessing if we did smaller annual increases when we didn't need it. Our preference is not to seek the increase until we need it.
    c. You would still be paying the same if we did smaller steps each year. You wouldn't be paying any less.

6. **How do Midwest Electric's rates compare to others?**
    a. According to Buckeye Power's April 2023 report, which uses co-op data and the Public Utilities Commission of Ohio…. For 1,500 kWh (the average residential co-op member):
    b. Midwest Electric costs $36.02 less per month than the Ohio co-op average. We have the lowest cost among all Ohio co-ops.
    c. Midwest Electric costs $50.43 less per month than DP&L (AES)
    d. Midwest Electric costs $36.40 less per month than AEP.
    e. These are before our rate increase, but we will still be well below the co-op average and DP&L and AEP.
    f. AEP and DP&L have announced double-digit residential rate increases.
    g. Commercial electric rates are more complicated to compare, and different commercial rates depend on the size of the customer's load. Generally, our commercial rates are very competitive with all area electric companies.




7. **How was the amount determined?**
    a. Each year, we do a 10-year financial forecast. This forecasts our planned investments' costs to continuously improve power reliability and serve growth in electric demand. We compare these expected future costs to our expected future revenues. Each year from 2019 on, we expected we would need a rate increase the following year. However, we managed our growing business costs thanks to healthy kilowatt-hour sales, a highly efficient workforce, peak load management, electronic and automated efficiencies in the office and the field, and more. Eventually, however, we can only do so much to hold back the tide of rising costs. And we must continue to invest in electric reliability.

8. **Why do higher-use members see less of a percentage impact than lower-use members in the same rate group?**
    a. They still pay the same rate. They don't get a special rate or special treatment.
    b. But because they have a better "load factor," the higher-use members see less of a percentage impact even though they pay the same rate as lower-use members. Their higher use helps reduce the impact of the Service Availability charge on their overall bill.

9. **When will it take effect?**
    a. Starting with the September 21, 2023, bill

10. **What would happen if we didn't increase rates?**
    a. The primary result is that we must stop investing in electric reliability—no more tree trimming, pole testing, line maintenance, etc. We would have more outages, and they would last longer.
    b. We would also have to increase our debt and loan borrowings. We would incur greater debt from our lenders, increasing interest expenses and reducing our financial flexibility.

11. **Why is the Service Availability $35, and why will that increase even more?**
    a. This is a flat monthly charge to pay the fixed costs of an electric distribution system, including poles, wires, substations, transformers, meters, tree trimming, pole testing, interest, depreciation, and repairs, maintenance, rebuilds, and upgrades. The Service Charge helps pay for electric reliability investments. The cooperative pays for these costs every month even if no electricity is used.
    b. There are two types of costs we incur in running our business – Fixed Costs and Variable Costs. Almost all the costs we incur are Fixed Costs, meaning they don't change based on how much electricity you use. If you use 1-kilowatt hour (kWh) or 1,000 kWh, we must still build and maintain the same equipment.
    c. On average, we've invested $5,700 in our electric system per residential member. Looked at another way, we've invested $38,000 per mile of line. These are significant investments in infrastructure regardless of how much electricity you use. And we must continually invest in maintaining and upgrading the system.
    d. The fixed cost to the cooperative is about $72 per month per residential member. We collect part of that through the fixed Service Availability fee and the variable kWh charge.
    e. We serve 6 members per mile of line. The larger utilities and the city utilities serve more than 30 consumers per mile of line. It roughly costs us all the same to build and maintain that mile of line, but we're getting much less revenue for our investment.

f. Therefore, the Service Availability fee is what it costs us to make electric service available even if you use no electricity.

**12. Why not lower the Service Availability charge and raise the kWh charge?**

a. If we said, ok, we'll reduce the Service Availability fee to $5; the rest of that ($45 - $40 = $5) doesn't just magically disappear. The Cooperative still incurs that $40 in costs every month. So, we'll have to collect it from you in the (variable) kWh charge. That means instead of $0.11 per kWh, we might have to raise the kWh charge to $0.17, for example, to make up for the lower Service Availability fee. That means members who use more kWh will end up paying more than it costs us to make the service available. And they'll be subsidizing members who use less kWh and aren't paying their fair share of what it costs us to make service available.

**13. Why is your Service Availability charge much higher than AEP, AES, and local municipals?**

a. While our Service Availability charge is higher, our total residential cost is lower than AEP and AES.
b. Midwest Electric serves 6 members per mile of line, whereas municipal and investor-owned utilities serve 30+ members per mile. Additionally, Midwest Electric's sales are primarily residential, whereas the other utilities receive a much higher portion of their sales from commercial and industrial customers. All of this means that the other utilities receive **5 to 10 times more revenue per mile of line than we do**, and therefore they are much better positioned to spread their fixed costs.
c. It costs over $30,000 to build one mile of single-phase line (or to re-build 1 mile of an old line), and $80,000 for one mile of a three-phase line. It costs about $3 million to build a new substation. These costs cannot be recovered only through the kWh energy charge but must also come from a monthly flat service charge.
d. There are many economic challenges of being a rural utility service provider that the other utility providers don't have.

**14. Seasonal account…. I'm in Florida 6 months of the year. Why do I still have to pay the Service Availability charge?**

a. Because the cooperative still incurs the costs of making service available to your property, whether you use it or not…. Maintenance, upgrades, depreciation, interest, etc. Our business costs do not decrease when you are not at your property.
b. Analogies….
    i. Similar to insurance: You pay an insurance premium to support the Availability of insurance when needed. You pay the insurance premium even if you don't use the insurance.

ii. Similar to property taxes: You pay property taxes even if you're not using the property. The property taxes pay for all the local services; the costs of those local services are still there even if you're not at your property.
iii. Similar to car payments: You still have to make car payments and car insurance even if you don't drive your car.

**15. What is the Service Availability charge for?**

a. The Service Availability charge helps pay for the cooperative's fixed costs. This includes the costs of the meter, wires, poles, service drop from the transformer, the transformer, property taxes, depreciation, distribution and generation capacity, and other items needed to provide a member with access to the electric grid, as well as fixed costs for billing, member services, administrative, tree trimming, and line maintenance. **These are called "fixed costs" because we incur the costs every month whether a single kWh is used or not. The costs do not fluctuate for us based on your electric use.** Because these are fixed costs for the cooperative, regardless of whether or how much electricity is used, the cost should be recovered from members through a fixed monthly charge.
b. On average, each member contributes to the cost of owning and installing three poles on the electric system. The three-pole average per member, along with the cost to (1) clear all the trees from the poles and (2) maintain the wires on the electric system and the costs to (3) replace old wires and poles, is an additional part of the total monthly service fee. Other costs in this fee include the meter on your home, the transformer on the pole to make the voltage usable in your home, and the wire installed from the road through your property to your house – plus maintenance and replacement on all these items. These investments are necessary to provide the high-quality electric service our members expect and deserve.
c. The actual fixed cost to the cooperative just for making residential service available for one kWh is more than $70 per meter per month. We charge $45 in the Service Availability fee and collect the rest in the kWh Energy Charge.
d. Our 7-county electric system is valued at $70 million. It comes to $40,000 per mile of line or **$5,700 per residential consumer**. And we must continually add to that every year, to maintain power reliability.

**16. How will the rate change impact security lights?**

a. The standard residential security light is currently $10.50 per month and will increase by $1 to $11.50 per month. Those who have their light on a separate pole owned by the cooperative currently pay an additional $2 per month and this will increase to $2.50 per month.

b. The monthly light fee (and pole fee, if applicable) covers the electric use from the light since it doesn't run through a meter. The monthly fee also pays for any repair or replacement.

c. All other light-related fees, such as for commercial locations or municipal subdivisions, will increase about 10% on average.

17. **Can I combine 2,3 or more meters and put them under one meter and one Service Availability charge?**
    a. Yes. The costs for doing so would be at your expense and would typically require a local electrician. Please get in touch with us, and we'll come out to help you design your new service.
    b. If you combine multiple meters into one metered service, be aware that it could push your usage level into a higher service availability charge or a demand metered account. Please talk with us first for billing advice.

18. **I've been a Midwest member for many years, paying the monthly service charge. Haven't I already paid for my meter many times over by now?**
    a. It's not just paying for the meter. It covers all other materials and labor to make service available and NEW costs such as tree trimming, line rebuild, substation upgrades, and ongoing system upgrades. The actual fixed cost to the cooperative is over $70 per month. We charge $45 of that in the Service Availability charge and the rest in our kWh energy charge. Our kWh energy charge also includes the costs to generate electricity at the power plants, plus high voltage transmission. We invest $2-4 million annually in maintaining and upgrading our electric system.

19. **How can you justify a 30% increase in a Service Availability charge?**
    a. Most of the costs we pay to run our business are fixed. This means that the costs of operating our business must be paid by us even if you use little or no electricity.
    b. The service availability charge is still the smallest component of the typical electric bill. So, the bottom line cost increase to residential members is closer to 9 percent.

20. **I already paid for my meter, lines, and other costs with my new construction charges a couple of years ago, so why do I have to pay $45 monthly for that same equipment?**
    a. Most members don't pay the total cost for the new construction. Also, your construction costs only partially cover our costs from the main line (such as at the road) to your new building and don't pay for anything back to our substation.
    b. Many other charges you didn't pay for in new construction are included in the monthly service charge, i.e., the cooperative's fixed costs: This consists of the costs of the meter, wires, poles, transformer, property

taxes, depreciation, distribution and generation capacity, and other items needed to provide the electricity on demand, as well as fixed costs for billing, member services, administrative, tree trimming, and line maintenance. These costs exist whether a single kWh is used or not; the cooperative pays these costs regardless of the level of energy use.

**21. Residential bill print includes your monthly kW demand:**
**What is demand? Why are you doing this? What is the cost?**

a. The residential kW demand is printed on your bill. There will be a demand charge of $20 to residential members who use more than 20 kWh in a one-hour increment in the prior month. This will only affect 5% of residential members, those with very high demand, from grain dryers, pool heaters, electric vehicle charges, etc.
b. Our goal is that by having better-educated members, we could lower the demand costs we pay on our wholesale power bill if our members take steps to reduce their demand.
c. kW Demand is the highest hourly use from the past month.
d. kWh Energy is the total amount used over the entire month.

**22. How come I had no say in this?**

a. It would be difficult, if not impossible, to have 10,000 members decide how we'll do electric rates. But you do have a say in the matter. The Board of Directors is comprised of Midwest Electric members, and each co-op member can run for the Board and each co-op member can vote for Board directors. The Board has the ultimate say on our rates and many other matters. So the members of Midwest Electric had input into this rate decision through the board. Also, we have been very open throughout this process, with information regularly being shared in Cooperative Living, bill insert, website, and annual meeting.

**23. What can I do to reduce my bill?**

a. We have several programs and tools to help you control your electric use. Please feel free to call us for any details.
b. Please take advantage of our rebates for energy-efficient upgrades. We also have a reduced electric rate if you have whole-house electric heat, geothermal, or a heat pump. Details apply.
c. We provide free energy audits – over the phone or in person.
d. Take advantage of our online energy calculators to help you determine what it costs to run almost everything in your home.
e. Switch to AutoPay for a $1 monthly bill credit. Go completely paperless and receive an additional $1 monthly credit.
f. Join our Load Management program for your electric water heater or air conditioner. This saves the cooperative $500,000 per year!
g. Our SmartHub app and online site give you access to monthly, daily, and hourly electric use. This can help you identify where your energy dollars

are going, which could lead to savings.

**24. How will members learn more about the increase?**

a. We'll keep you updated as details come out, through Cooperative Living magazine, our monthly bill insert, and our monthly e-news.

**25. Why do you raise rates and then later in the year give money back (patronage)? Why not stop giving patronage back?**

a. By law, because we are not-for-profit and customer-owned, an electric cooperative has to allocate patronage capital to its members.
b. Retiring pat cap does not affect our margins (but does impact our balance sheet). Rather, we need the increase to meet rising inflationary pressures.
c. Part of the premise of a cooperative is having members as investors and giving members a return on equity over time.
d. Members who have been on our lines for many years have been paying patronage capital and deserve a return on those investments.

**26. What is the PCA? Will the PCA increase?**

a. This is not directly a Midwest Electric charge, but reflects changes in the cost we pay for the generation and transmission of electricity. Items paid by the Power Cost Adjustment include the cost of fuels to generate electricity; high voltage transmission to move the electricity from the generating plant to our local substation; and peak demand costs when electric use is high for all members.
b. The PCA will continue to increase over time.

**27. The PCA has increased over the years. How can you say you haven't increased rates in 13 years when you've increased the PCA?**

a. There are 3 components to the electric grid – Distribution, Transmission, and Generation. Midwest Electric is a distribution utility, from the substation to your home. We have direct control over that service and those costs. We have not changed our distribution rates since 2010.
b. For Transmission and Generation, we have very little control over those costs, except through our peak load management program. We receive a monthly power bill from Buckeye Power for those services.
c. The Power Cost Adjustment (PCA) reflects monthly changes in our wholesale cost of power from Buckeye Power, our cooperative power supplier. The PCA is impacted by changes in the cost of generating fuel, such as coal and natural gas; changes in peak power costs; and changes in transmission costs. Buckeye Power has said that we should continue to expect annual wholesale cost increases of around 2-3 percent. Since the

wholesale bill represents about 60% of our total costs, that 2-3 percent increase equals about a 1.5 percent net annual cost increase to you.

28. **Why not stop the Community Connection Fund and the economic development loans, to lower my electric rate?**
    a. Our Community Connection Fund is our primary donation vehicle and annually gives about $50,000 to area charitable causes. This is a ***voluntary*** program where participating members ***voluntarily*** have their electric bill rounded up to the next highest dollar; those additional pennies are deposited in the Fund. A board of trustees (separate from the Midwest Electric Board) is comprised of other Midwest Electric members and makes the funding decisions. **Because this is a voluntary donation program, eliminating it would not impact electric rates.**
    b. Our economic development revolving loan fund (RLF) was funded by ***grants*** from USDA Rural Development. As businesses repay their loans with interest, the RLF grows, enabling us to lend more money. It's at a very low-interest rate, which helps the businesses. The purpose is to help keep and create jobs in rural west central Ohio, and since it started in 2005 the RLF has made 19 loans, supporting 645 area jobs. All loans are being paid back on time.

29. **Are commercial customers also getting the same rate increase as residential?**
    a. Our commercial rates will increase by 2% over present rates. Our Cost of Service Study shows we're already collecting sufficient revenue from our commercial accounts, to cover our cost of providing service. If we gave commercial customers the same percentage increase as our residential customers, then we would be "over-collecting" from our commercial customers. Each customer class should pay its fair share of costs without having one customer class pick up the tab for another customer group.

30. **How long will this increase last before you need another one?**
    a. Based on our financial forecast, we do not expect another rate increase for four years. Keep in mind, that this is a projection; it is possible we may need to increase rates again sooner than that, or later. For our 2010 rate increase, we expected that to last five years and it lasted 13 years.

31. **Why can't I choose another electric provider, like natural gas customers?**
    a. You can choose your natural gas wholesale supplier but CANNOT choose your natural gas distribution company. You continue paying a distribution charge on your natural gas bill, and the same gas distribution company provides the local distribution service.
    b. We are a distribution cooperative, so even if the electric customer choice was practical, we would still have our distribution cost structure and be

the distribution provider. We would need to make our Service Availability charge even higher.

c. Even if the electric choice were available, our Buckeye Power wholesale cost is equal to or less than most other Ohio suppliers.
d. You do have choices.
    i. Wind turbine
    ii. Solar panel
    iii. Permanent standby generator (propane or natural gas)
    iv. However, those are much more expensive and very unreliable
e. Heating, cooling, and hot water are a home's largest energy loads, typically accounting for more than 60% of a home's total energy use. You have a choice of competing fuels for these, your home's largest energy users.

**32. How will AEP's and AES's rate increases affect Midwest Electric?**

a. AEP and AES have announced rate increases of over 20% in recent months.
b. The AEP and AES distribution rate increases will <u>not</u> affect our electric rates. The transmission cost we pay to AEP and AES is the fastest-rising part of our Buckeye Power bill, but it is not related to their distribution rate increases.

**33. Regarding additional Service Availability fees for larger residentials – If I use more, I pay more in the kWh energy charge. Why do I also have to pay more in an extra Service Availability fee?**

a. Because you're only paying more in a variable charge (kWh) and we're incurring more in our fixed costs to the cooperative (such as demand charges from our power supplier).
b. The cooperative incurs higher costs to serve accounts with larger demands. It costs us more to provide service than what is recouped in the variable kWh charge.
c. The average home is 10kW or less. Any home over 20kW is likely not just a residence, but has a farm or some type of business.
d. The other option we chose not to do at this time, is to put the account on a commercial demand rate, which would likely cost even more.

**34. Why change the discounted off-peak heating residential rate? Why lower the discount?**

a. Discount block is lowered, but expanded to 12 months to make it easier to communicate and understand. Previously it was only available 8 months of the year, which caused confusion.
b. The amount of the discount is based on our Cost of Service Study, which shows we can provide an incentive for increasing off-peak kWh sales. But

too much of a rate discount would result in a loss for the cooperative and force other members to subsidize the discount.

35. **How does this increase affect the operating cost of an electric water heater compared to propane? Or a heat pump / geothermal compared to a propane furnace?**
    a. For a standard efficiency water heater, with four people in the home, and propane at $2.50 per gallon:
        i. An electric water heater costs $548.53 per year to operate.
        ii. A propane water heater costs $681.27 per year to operate.
    b. For a typical Ohio annual home heating load of 65 million BTU, standard efficiency heating systems, and propane at $2.50 per gallon:
        i. Geothermal costs $575 in annual heating costs
        ii. Air source heat pump costs $934 in annual heating costs
        iii. Propane costs $1,971 in annual heating costs
    c. we use 11.5 cents per kWh for our electric rate for these comparisons. Our new electric rate is slightly over 10 cents per kWh. We also have a Power Cost Adjustment that fluctuates up or down slightly monthly based on changes in the cost of power generation and high-voltage transmission. Because the Service Availability charge is a fixed, flat amount regardless of kWh usage, it does not affect these cost comparisons. It costs 11.5 cents to buy one more kWh. (It even costs 1 cent per kWh less if you're on our residential reduced rate. But we use the higher rate here, to be conservative.)

36. **You've encouraged me to go geothermal, or heat pump, or electric water heater….And now you increase your rate. Isn't that like a "bait and switch?"**
    a. You still made the right choice and you are still enjoying substantial savings compared to propane. See the above comparisons.

37. **Midwest Electric has been promoting energy efficiency. But now that I have made my home more energy efficient, I am penalized with the new rate structure (because it's a higher service charge).**
    a. Our average cost has always been lower for higher-use members, so this is nothing new. Just as our wholesale average cost per kWh decreases as we sell more kWh, an individual member has a decreasing average cost per kWh as he uses more kWh. This is because you are spreading out the fixed monthly service charge over more kWh.
    b. Even though your <u>average cost</u> per kWh is higher (if you're a low-use member) your total bill is much lower and you are still better off if you can reduce your energy use. We will continue to emphasize energy efficiency and help members reduce their energy use because (although it raises the <u>average</u> cost per kWh) it lowers your total monthly cost.

c. Even after our rate change, the cost to run a propane water heater is higher than an electric water heater. And the cost to run a propane furnace is higher than a heat pump or geothermal. We will continue to help our members lower their overall energy costs.

**38. Can I change to a different rate?**

a. Utilities need customers of similar characteristics (such as transformer size, or demand) to be in similar rates so we can determine fair and consistent rates.
b. For our commercial members, we provide the option of an off-peak rate. This provides a discount if you can significantly reduce your load during grid peak hours.
c. For residential members, we provide a reduced electric rate option if you have an electric water heater and whole-house electric heat (ie, heat pump, geothermal, etc).

**39. Couldn't expenses (payroll, benefits, costs) be cut to prevent a rate increase?**

a. To provide quality service, a certain level of cost is needed. We regularly review our expenses and strive to do more for less. There are many economical challenges of being a rural utility service provider that city and town utility providers don't have.
b. There are 900 electric cooperatives in the U.S. and we annually compare our operating metrics to other cooperatives. We regularly outperform our peers in cost control, efficiency, and productivity. One example: We have the same number of employees today as we had in 1980.

**40. Can I hook up a windmill or solar panels and sell power back to the cooperative? And if so, for how much?**

a. For a residential-size renewable generation, our policy allows for "net billing." This is for generators 25 kW or less. With net billing, you first use any generator production for your home or facility. Any excess is sent back through our meter, and we pay you a similar average wholesale cost that we pay for other sources.
b. Please contact us first so we can help you with calculations such as what size you need, and how much money you will make. Most customers will not see a financial payback for many years.

**41. What is Midwest Electric doing to control costs internally?**

a. Wholesale Power Supply from Buckeye Power, a not-for-profit cooperative serving Ohio's 24 distribution cooperatives. We own our own power-generating assets, instead of relying on an unpredictable market. And our fuel generating source is primarily coal – the most economical source.

b. Loan Conversions - Converted to lower interest rates, saving hundreds of thousands of dollars in interest expense over the life of the loans. The average interest rate that we pay is less than 4%.
c. Competitive bid process for tree trimming, pole testing, and other major projects.
d. Load Control - Water heater and air conditioner control switches and commercial account off-peak programs help us save more than $500,000 per year in avoided demand charges.
e. Grassroots Lobbying - many examples of fighting for fair legislation and regulations.
f. Outsourcing
    i. Just a few examples include Information Technology; Billing and Member Information software; Dispatching after-hours.
g. Shared services with a neighboring electric cooperative for communications and public relations
h. Purchasing – Our transformers, conductors, etc – Are mostly purchased from not-for-profit cooperative-owned supply companies…..Keeps costs low.
i. Electronic and digital efficiencies; Provides greater member convenience and reduces employee costs.
    i. 75% of our members pay electronically or automatically.
    ii. Our SmartHub e-bill site provides our members access to everything they need regarding self-management of their account.
    iii. Energy library, on-line energy audits and calculators
    iv. We have email addresses from 80% of our members. Improves office efficiencies as well as member communications.
    v. Electronic remote deposit –save on bank service fees.
    vi. Payment processing – scans and uploads member payments, rather than manual processing.
    vii. Office and field technologies and work processes are almost all electronic or automated.
j. Productivity
    i. In 1980, we had 30 full-time employees
    ii. In 2023, we have 30 full-time employees
    iii. We have grown annually over the past 40 years, but able to manage it due to the technology and work-flow advancements referenced above, and the high skill level of our employees

**42. Will this rate increase eliminate the need for loans?**

a. This rate increase will not eliminate the need for future loans but will reduce our need for debt financing. We have two sources of financing – equity (which comes from our members through our electric rates), and debt (which comes from our lenders through loans). With debt, we also

have to pay interest, which is why the board of directors has established a policy of striving to maintain an equity level of at least 40%. We feel this level enables us to have the lowest optimum total cost of capital, and still retire (payout) patronage capital. Midwest Electric is currently on a 16-year patronage capital retirement rotation, and the national average is over 20 years. This rate increase is needed because our income has been falling to the point where it has negatively impacted member equity.

**43. How long will this rate increase last? How long before we need another increase?**

a. Estimated 4 years. Our last distribution rate increase was estimated to last 4 years, but it served us for 13 years. We doubt this increase will last us that long.

**44. I have a meter on a pole that is breaking. Why won't Midwest replace that pole since I'm paying $45 per month for the meter?**

a. Meter poles are owned by the individual member. If MEI took ownership, then it would further increase our costs. Your $45 charge does not pay for member-owned equipment such as meter poles.
b. As a service, though, when we test poles we also test member poles at no charge, because MEI wires connect to those poles.

**45. I have two meters – one on my house and one om my garage. They're both served from the same transformer and same pole. Why do I have to pay $45 per month for each meter?**

a. We don't get down to that level of detail in our cost-of-service studies; rather, it's based on the total number of meters.
b. Similarly, there are many other members who could benefit from individualized costs (i.e., those who live closer to a substation; those who live in a more densely populated neighborhood; those who have very few trees near the area power lines; etc). But there is only so far, we can go with a cost breakdown. Most costs are collective and cannot be individualized.
c. If you combine multiple meters into one metered service, be aware that it could push your usage level into a higher service charge or a demand metered account. Please talk with us first for billing advice.

## 46. <u>Commercial account questions –</u>

**a. What is demand?**

i. kW Demand is the maximum amount of electricity consumed at a given time, from the past month. It's measured in either a 15-minute or 60-minute period, depending on your rate.

ii. kW Demand is similar to the speedometer on your car, which tells you how fast you are going at this moment. Compared to kWh Energy is similar to the odometer on your car, which tells how far you traveled (how much you used in total) over the past month. Just like your car has to be built to withstand going 120mph and the engine and component capacity to deliver that speed even though it is rarely needed, we have to build everything to meet your maximum demand.

**b. You said a 2 percent increase in commercial rates, but my bill went up more than 2%?**

i. Our new commercial rates have an increase in the kW Demand charge and a flat or lower kWh Energy charge. This is a reflection of how we are billed from our power supplier.

ii. If your bill went up much more than 2% it is because you have a poor load factor. Load factor is a ratio of a consumer's hourly kW demand, compared to their total kWh energy use. A customer who has a very high demand, but uses relatively low kWh energy, has a poor load factor. This places higher costs on the utility; costs that are not recovered through the low use of energy. Therefore, our new commercial rates will have higher demand charges, but lower energy rates. Many of these consumers can save by changing to our off-peak commercial rate.

**c. What can I do to lower my demand?**

i. Call Joel Johns for a personalized review of your facility usage. You should also consider our commercial off-peak program as an option.

**d. Will solar help me?**

i. Solar might provide some reduction in your energy use and therefore the kWh Energy part of your bill. But it's not typical for solar to reduce a facility's kWh Demand. If there is even just one cloudy hour in the month, your facility will still have an electric demand when the solar panels are not operating.