



ELECTRIC BILL CHANGE

Monthly service charge = investment in your co-op

This flat charge is not new but will soon be printed on your bill as separate line item.

Like most utilities, Midwest Electric has a flat monthly service charge. It's \$35 per month — the same it's been since August 2010.

The flat monthly service charge is \$35 per month for residential members but is higher for commercial members. We currently don't break out the charge on your electric bill, meaning it's not listed as a separate item. Rather, it's just "rolled in" to your total energy charge.

Starting this spring, we'll print the service charge as a separate line item to give you more information on the charges that make up your electric bill. We want you to know what you're paying for. **Remember when you see it: It's not a new charge, and it's not an increase. It's been the same \$35 since 2010!**

Why is the service charge \$35 per month?

Our electric plant investment is \$60 million. That's about \$40,000 per mile of line, or \$4,749 per residential member! And we are continuously maintaining, replacing, and upgrading the local grid. This year, we've budgeted more than \$5 million for electric system operations and maintenance. That's what the flat monthly service charge helps pay for: power reliability.

Why do I have to pay a flat monthly service charge even if I'm not using power?

As a member of Midwest Electric, you make an investment in the co-op every time you pay your bill. This collective investment in the co-op benefits you and the community immediately and over time. We all need a reliable local energy grid, so we all share in the costs of building and maintaining it.

There are three basic parts to our monthly residential bill: the kilowatt-hour (kWh) energy charge; the Ohio kWh electricity tax; and this flat monthly service charge.

The flat monthly service charge helps your co-op pay for the operation and maintenance of our overall electric system. This means making YOUR electricity reliable when YOU want it. This cost includes combating cybersecurity threats and building and maintaining poles, substations and other equipment. All of this takes strategic planning

\$35 Monthly Service Charge



The cost of making power available at your home, shared equitably by all 10,000 members

and significant resources. It not only pays for the purchase and installation of that equipment, but the replacement, maintenance, and repair so you can enjoy power available 99% of the time.

All members pay it to help recover some of the fixed costs of our electric grid, like having the electric facilities available to provide electric service even before the first electron is needed.

Fixed costs versus variable costs

There are two types of costs that we at the co-op have to pay to run the business: fixed costs and variable costs.

Fixed costs are required to run the business and don't fluctuate based on the amount of electricity we sell. Whether we sell 1 kWh or 1 million kWh, we have the fixed costs of building and maintaining everything from the substation to your meter. Those fixed costs include poles, wires, transformers, voltage regulators, meters, property taxes, substations, outage repairs, depreciation expense, interest expense, vehicles, our mapping and outage management system, pole testing, tree trimming,



Heads up: your bill will look different!

Starting this spring, the \$35 flat monthly service charge will be listed as a separate line item on your bill. **This is not an increase or a new charge.** It's been the same since Aug. 2010! It was previously "rolled in" to your total energy charge, but with the upcoming bill redesign, we want members to know exactly what they are paying for. Stay tuned for more details!

and more. **All of those things are needed before the first kWh is used, regardless of how many kWhs are used.** To have electric rates that are as fair as possible to all customer classes, we believe **fixed costs** should be paid for with a **fixed charge**.

Let's say we didn't charge \$35 per month for the flat fee. Let's say we only charge \$5. Well, the rest of that cost (\$30) didn't magically disappear. The cooperative is still incurring and paying that cost. So that means instead of collecting it from you in the flat monthly service charge, we would have to increase our kWh charge (the variable charge) in order to collect it. So our kWh charge then might go from \$0.10 per kWh to \$0.15 per kWh.

That would penalize our higher use members who would end up paying more than it actually costs us to provide them with service. And our lower use members would be getting a subsidy and would not be paying what it actually costs the cooperative to make service available. The higher use members would be subsidizing the lower use members. **A flat monthly service charge makes us less reliant on**

big swings in kWh sales and won't financially penalize members for high use periods.

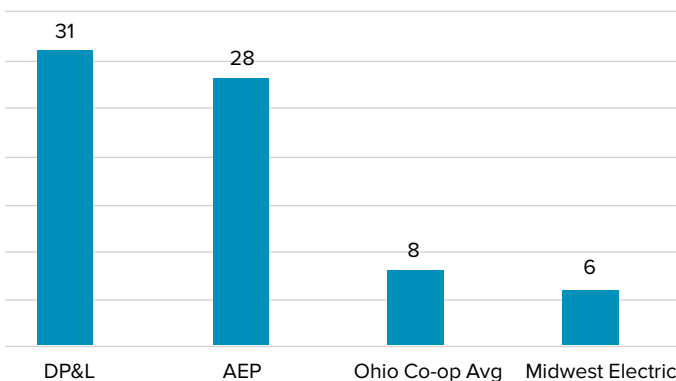
Regardless of how much electricity a particular family uses, the cost of delivering power to each house is roughly the same. That is why every member pays the flat monthly service charge each month.

Think of the service charge like property taxes. Property taxes help pay for road construction and maintenance, police and fire protection, and other such services. If you're away from home for a month, do you get to waive property taxes for that month? No, you still owe property taxes even if you're not at the property. That's because the county/township/village still incurred the costs of making those roads and services available.

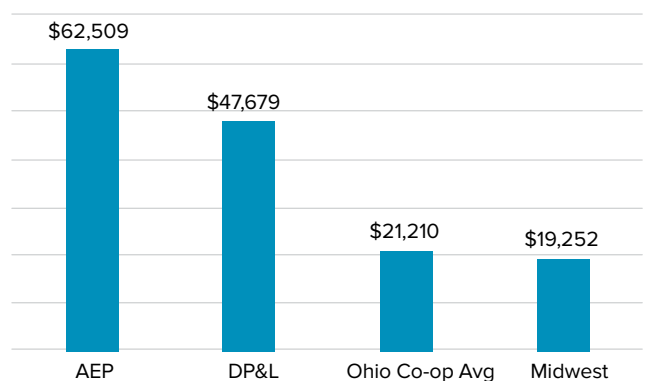
The service charge is necessary to keep our finances healthy, so we can continue to make investments in our distribution system and ensure power reliability for years to come. If you have questions, please give our office a call. Thank you for understanding!

Economic challenges of a rural utility

Consumers per mile



Revenue per mile of line



Large utilities like DP&L and AEP also have a service charge, but theirs is lower than ours because they are city-based, serving many more consumers per mile of line with many more commercial consumers. Their revenue per mile is also higher than a smaller co-op like ours. This helps the city-based utilities spread out their fixed costs and thereby have a lower fixed charge.

Source: PUCO, Buckeye Power