



## NOTICE OF RATE MEETING

The Board of Trustees of Prairie Land Electric Cooperative, Inc. will meet on Tuesday, November 23, 2021, at 1:00 p.m. to discuss proposed rate changes. This meeting will be held at the cooperative's headquarters located at 14935 US Highway 36, Norton, KS, and will be open to any member who wishes to attend.

Action on the retail rates may be taken at that time. Members have the right to request review by the Kansas Corporation Commission of any rate change approved by the cooperative as provided by K.S.A. 66-104d(g).

Please **RSVP** to ensure adequate seating. Call Prairie Land at 785-877-3323 or 800-577-3323.

In September, we informed you that Prairie Land was undergoing a rate study – a process that evaluates the Cooperative's costs of providing electric service and rates charged for this service. The purpose of this study was to (1) identify the overall revenue needed to cover Prairie Land's operating expenses and debt obligations while generating enough capital to reinvest in our electrical system and (2) review the cost of providing service to each individual rate class (i.e., Residential, Commercial, Irrigation, etc.). This study, performed by an outside independent rate consultant, has now been completed. On Tuesday, November 23, 2021, at 1 PM, the Board of Trustees will hold a member rate meeting at the Norton office. Action on the retail rates may be taken at that time. The meeting is open to any member who wishes to attend and hear the rate proposal presentation.

### Rate Study Results

The study showed that overall electric rate revenues should be increased by \$5.6M, or about 8.3% percent, in 2022. After considering the magnitude of the potential financial impact to our members, Prairie Land's board elected to lower the margins to the bare minimum but still adequate to meet loan covenants set by our lender. Additionally, we will phase in the increase over three (3) years instead of adjusting rates in a single year.

After the adjustment to margin requirements, the required revenue increase for 2022 was reduced to \$2.5M, or about 3.9%, with an additional \$900K needed in 2023 and \$1.2M in 2024. If approved by the board of trustees, the proposal will become effective on January 1, 2022.

### Rate Change Summary

Rate design entails a balancing act between meeting our revenue needs and minimizing our members' financial impact. While the Cost of Service (COS) study indicates the need for a 3.9% increase in overall rate revenue, some rate classes will require more than the average, while others may need little or no increase. As a not-for-profit organization, we must recover our costs of doing business and maintain sufficient margins to reinvest in our electric distribution system.

The amount of the rate change will vary by rate class. This is because the cost to provide service varies with each rate class depending on the size of the loads and the relative level of consumption. Some increases indicated by the COS were more significant, yet as proposed, the average increase to any affected customer class was capped at 9.8 percent.

One part of the proposal is to increase the monthly Service Access Charges to better align with the Cost of Service. This charge is designed to recover those costs that do not vary with the amount of electricity used. A portion of the Cooperative's costs are the same for customers within a rate class whether they use 50 kWh per month or 2,000 kWh per month. The Cooperative has made similar investments in poles, wires, transformers, and meters for most customers within the same rate class and incurs similar costs for reading meters, billing, and consumer accounting.

To demonstrate, let's take a look at the residential service as an example. The rate study has shown that the cost to connect a residential service to our electric distribution grid (i.e. cost incurred by the Cooperative just to have a service

established even before a member uses a single kWh) is approximately \$42/month. Currently, the Service Access Charge for a single-phase residential service is \$20/month. Increasing the Service Access Charge to \$30/month, for instance, would slightly decrease the energy charge, and would more accurately reflect the cost of providing electric service to this rate class. In this example, the average residential customer would see a \$9.68 per month increase on their overall bill.

The table below gives an overview of the proposed rate changes by rate class. The percentages shown reflect the impact for the average usage customer within the class. However, the effect to each member within each rate class will vary depending on individual consumption.

**Proposed Rate Change - Average Impact By Rate Class**

| Rate Classification                           | Average  | Average Bill/Month |              |          |
|---|----------|--------------------|--------------|----------|
|   | % Change | Current            | Proposed     | Increase |
| Residential & Farm - Non-Commercial           | 9.4      | \$102.71           | \$112.39     | \$9.68   |
| General Service Small                         | 6.2      | \$97.86            | \$103.93     | \$6.07   |
| General Service Medium                        | 0        | \$1,313.98         | \$1,313.98   | \$0.00   |
| General Service Large                         | 0        | \$10,063.53        | \$10,063.53  | \$0.00   |
| *Irrigation                                   | 9.8      | \$233.97           | \$256.89     | \$22.93  |
| Industrial Service                            | 0        | \$141,807.08       | \$141,807.08 | \$0.00   |
| Idle Service                                  | 0        | \$4.67             | \$4.67       | \$0.00   |
| Interruptible Industrial                      | 2.2      | \$28,933.23        | \$29,533.47  | \$600.24 |
| Athletic Field Lighting                       | 9.8      | \$88.84            | \$97.58      | \$8.74   |
| Temporary Service                             | 3.1      | \$25.63            | \$26.43      | \$0.80   |
| Sub-Transmission & Transmission Level Service | 0        | \$9,111.18         | \$9,111.18   | \$0.00   |

*\*Irrigation is based on seasonal usage divided by 12 months for monthly average for comparison only. Proposed changes as of October 8, 2021. Impact assumes average usage.*



**For more information pertaining to proposed rate changes, please visit our website at <https://www.prairielandelectric.com/2021-rate-study>**