Cooperative Light & Power

Your Touchstone Energy® Partner

**Cooperative Light & Power (CLP) Rate Adjustment**
**Q&A**
July 2023

**Q: Why are my rates going up?**

A: CLP is a member-owned, not-for-profit electric cooperative that strives to provide reliable power and hometown service at an affordable rate. However, CLP and electric providers nationwide are experiencing inflationary pressures that have raised wholesale power costs and other expenses beyond our control.

In the last two years, utilities have seen rapid price increases due to inflation, supply shortages, and increased demand for electricity. For example, the cost of poles, wires, transformers, and meters has risen by an average of 60% over the past two years, and to break it down even further, the cost of a 40-foot pole has increased 75% in the past year, a 10 kVA pole mount transformer has increased 69%, a 15 kVA pad mount transformer has increased 74%, and a 100 kVA pad mount transformer has increased 155%. For 2023 we will see an 8.2% increase in wholesale power.

**Q: What is a Class Cost of Service Study (CCOSS)?**

A: The CCOSS is a study that analyzes revenue needs and identifies the utility's total cost of service so that each class of members pays its proportionate (fair) share. In addition, the study looks ahead to future years to accommodate investments in the electric infrastructure, plant, operations, and wholesale power costs. The goal is to have an accurate two-year prediction. CLP calls these classes of service "rate schedules." For additional information on CLP's new rate schedules, see the CLP Rate Schedule Quick Reference Guide on our website at www.clpower.com.

**Q: What Rate Schedule do I fall under?**

A: Residential and Seasonal Residential members fall under our General Single Phase (GS1) rate schedule. Small Commercial and business accounts may fall under our General Single Phase (GS1), General Three Phase (GS3), or Demand (DEM) rate schedule. For more information on CLP's Rate Schedules, please visit our website at www.clpower.com, where you will find a CLP Rate Schedule Quick Reference Guide and a CLP Rate Schedule Decision Tree.

**Q: What is the Service Availability Charge?**

A: The Service Availability Charge, formerly listed on your energy bill as "Base Charge," is designed to recover the monthly operational costs associated with providing electric service to your home or business. This includes (but is not limited to) fleet, transformers, meters, line maintenance, right-of-way clearing, member service support, taxes, and administrative costs. These costs are often termed "fixed costs."

There are fixed costs associated with providing service to a member, whether a member uses any energy or not. In the past, CLP tried to recover some of these fixed costs through your electric service usage. This process was neither effective nor fair, so we have modified the way in which we collect these fixed costs.

The "Service Availability Charge" is increasing from $30/month to $52/month. The set per kWh rate has decreased when you consider the five cents per kWh Power Cost Adjustment (PCA) that has been charged monthly. For now, the PCA is currently at zero. Because of fluctuating costs to produce and deliver power, we are not saying we won't have to use the PCA ever again, but in the near future, you will not see a PCA charge.

**Q: What is the Power Cost Adjustment (PCA)?**

A: PCA is a line item on your energy bill that can be a charge or a credit. When the cost to produce and deliver power is higher than expected, a charge may be used to recover the added costs. When the cost to produce power is lower than expected, a credit may be applied to pass along those savings to members.

**Q: Why do urban areas have electric rates lower than rural areas?**

A: The makeup of the consumer base, our revenue streams, and the cost of providing electric service are vastly different. For starters, CLP has 6.2 members per mile of line. Large, urban investor-owned utilities or municipalities average over 35 customers per mile of line. When looking at the service availability charge alone, these utilities have approximately 30 more consumers paying for the cost of service of one mile of line than a small rural electric cooperative would have.

In addition, large, urban investor-owned utilities (IOU) or municipalities have a larger percentage of commercial consumers than rural electric cooperatives do. In the state of Minnesota, the IOU customer base is approximately 33% residential and 67% commercial. For rural electric cooperatives, that number is reversed. They have 67% residential and 33% commercial. CLP's percentages are even more drastic as a full 90% of our members are residential. Cooperatives have more miles of line with fewer members per mile to share in the cost. Furthermore, IOUs commonly have large commercial customers that typically subsidize some of the costs associated with providing residential service.

**Q: What is the new Time of Use Rate (TOU)?**

A: The Time of Use rate adjusts the cost of electricity throughout the day. Dividing the day into On-Peak, Mid-Peak, and Off-Peak periods means that *when* you use, electricity is just as important as *how much you use*. TOU pricing is intended to encourage you to use electricity during times of the day when power is cheaper, and demand is lower, helping to alleviate strain on the electric grid.

**Q: When will the new Time of Use Rate be available to members?**

A: Due to supply change constraints, CLP anticipates this rate to be available in early 2024 after the necessary hardware (meters) are received and the required software changes are implemented.

***Cooperatives are a unique business model. We have open and voluntary membership. We are democratically controlled. We do not have stockholders. Every dollar we earn is reinvested in CLP and the community. Whatever is left over goes back to the member in the form of capital credits.***