

Adjustments will make costs more equitable

Heartland Rural Electric Cooperative is currently reviewing our existing rate system and costs to determine how our rates can be adjusted to be more fair and equitable for our members. It is our goal for our members to “pay their own way” with each monthly bill properly reflecting the complete cost of providing service and power to each location.

YOUR BILL

Members of Heartland REC currently see three billing headings on their monthly invoice.

The first is the monthly “Service Availability” fee. This is a fixed fee, currently set at \$15 for most members.

Everyone pays a Service Availability Fee because there are fixed costs associated with providing power to a customer that must be incurred regardless of how much or how little electricity is used at that home or business. The costs of poles, wires, transformers and other equipment are all present even if very little power is used. Many people will see flat fees like this on rural water bills and invoices for traditional or cellular telephone service, where they often range from \$30 to \$50 per month.

The second category billed for by Heartland REC is the “KWH Charge” which is your electric rate multiplied by the kilowatt hours used for the month. If you use a lot of electricity, this is where that usage is reflected. Heartland REC’s base rate is 9.35 cents per kilowatt hour, and drops as low as 6.5 cents per kilowatt hour for those on our Heat Pump Rate.

The KWH Charge can be changed by Heartland REC to reflect significant changes in the market or in the industry, but we like to keep this as stable as possible.

More recently, Heartland members have also been billed for an “Energy Cost Adjustment” during many months of the year.

This category covers the unanticipated expense of generating electricity when fuel costs rise unexpectedly. We would all like for fuel costs to be stable so that there are no surprises, but costs go up, sometimes unexpectedly. The Energy Cost Adjustment is determined each month through information provided to us by our power supplier. Revenue generated by this line item is passed directly to

our power supplier, with none of the proceeds going to Heartland REC.

HEARTLAND’S GOALS

Heartland is not seeking to increase revenue. Heartland’s board of directors and management are seeking a more properly allocated rate system in which the operating costs and cost of supplying power are accurately reflected.

This direction is where the industry as a whole is headed. High-tech metering equipment and smart grid technology enable us to closely monitor electricity consumption throughout the day. Some industries on Heartland’s system already use this information to control their own usage and reduce consumption during peak hours, thereby reducing their power bill.

One goal we have here at Heartland is to reduce or maybe even eliminate the ECA charge on your bill. The higher power prices are here to stay, and it’s time to roll that charge in with the existing KWH Charge. Last year’s ECA average was 1.3 cents per kWh, and by putting that on the rates instead, the ECA will hopefully average out to zero.

But that doesn’t necessarily mean that rates will go up.

A big part of properly allocating Heartland’s costs to provide power will include raising the Service Availability fee while at the same time lowering the electric rate proportionally.

This means some locations with little to no electric usage will see their bills go up to more accurately reflect the true cost of installing and maintaining the infrastructure required to make power available.

Locations with higher electric usage will see their bill more closely parallel the cost of energy as electric rates reflect more truly the cost of power and not the fixed costs of running the cooperative.

WHERE ARE RATES HEADED

First, we’re looking at fewer rate classes.

As Heartland REC makes the changes that properly allocate costs, it turns out that some of the specialized rates are no longer needed and can therefore be consolidated for efficiency.

Our current plan is to combine General Service, Seasonal, Seasonal

Electric Heat and Electric Heat into a single General Service category.

Members with heat pumps will continue to pay a lower rate because their consistent consumption of electricity is cost-effective to provide.

For these rate classes we plan to increase the service availability charge while reducing the energy charge.

The electric utility industry is moving toward adjusting the price of power depending on when it is used. Heartland’s General Commercial customers are already taking advantage of the technology that allows us to measure their use coincident with how the cooperative is billed. This way, Heartland is able to bill those commercial customers for their corresponding cost to the cooperative and allow them to pay their true and accurate portion of the power cost.

We expect this technology to eventually move to residential customers as well in an ongoing effort to promote conservation and lower consumption during peak hours.

Making these adjustments to Heartland’s rates will also put the cooperative in a good position as we look ahead to changes in the industry. With the proper rate system, conservation measures and the introduction of net metering on wind and solar sources of power will not threaten the financial stability of Heartland REC.

HOW WILL THIS AFFECT MY BILL

Because Heartland REC does not plan to increase the KWH Charge, most Heartland REC members will not see an increase in their monthly bills. This is especially true of those with larger than average electrical consumption if our Board of Directors is able to actually lower the KWH rate.

If the Service Availability charge is increased as planned, that will increase the monthly bill for locations with lower-than-average consumption as these start to be billed for their actual cost of providing power. Farms that have a meter at a location to provide only occasionally-used power will see the biggest impact due to the service availability increase.

For information about HREC’s current rate and fee structure, please visit www.heartland-rec.com.