



Clinton County Connection

Your Touchstone Energy® Partner 

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A review of recent rate changes

As I mentioned in last month's magazine, the Board of Trustees approved new rates effective with members' January 2015 kWh consumption. The new rates will NOT PRODUCE ANY ADDITIONAL REVENUE for Clinton County Electric Cooperative, Inc. (CCECI). That being said each member's account will be affected, some will see slight increases while others will see slight decreases. We are continuing our strategic goal of increasing the facility charge while decreasing the energy charges. To see how this rate change will directly affect your account, have a copy of your bill handy and go to our website www.cceci.com. Once there click on the "2015 Rate Calculator" and follow the prompts.

Since 80% of our billings are billed using Rate 01, the examples in this article will be based on a Rate 01-Single Phase Service. The examples will also be based on 1,320 kWh of consumption, since that is what our average member consumes each month. To aid in the explanation, I will also be referencing the bar graph illustrations throughout the article.

I began my career as Clinton County Electric Cooperative's General Manager on July 7, 2009. At that time the average member

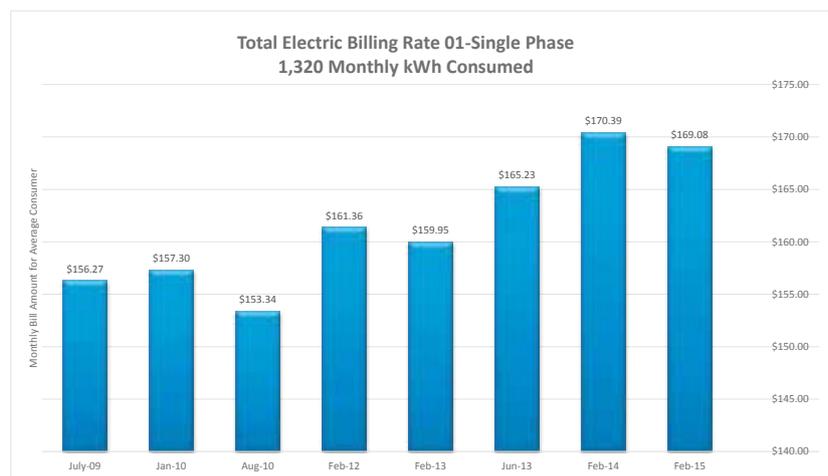


Illustration 1

who consumed 1,320 kWh had a monthly electric bill of \$156.27 (see illustration 1). During the 2010 budgeting process, management became concerned that the current rates may fail to generate sufficient Operation Margins to maintain a financially strong cooperative going forward. Therefore management recommended and the board approved increasing the Power Cost Adjustment (PCA) from \$0.00222/kWh to \$0.00300/kWh effective with members' December 2009 consumption. This caused the average monthly bill to increase to \$157.30 or a \$1.03 monthly increase (see illustration 1). This increase was

strictly energy related (see illustration 3). After the first six months of 2010, those concerns were lessened. Revenues were almost 4.5% ahead of budget predictions. Therefore management recommended and the

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Mike Johnson

Rate changes continued from 16a

board approved eliminating the \$0.00300/kWh PCA. The average monthly bill fell to \$153.34 or a \$3.96 monthly decrease (see illustrations 1 & 3). Again this decrease was strictly energy related.

2011 was an up and down year and revenues ended the year about 1.5% over budget. Management hesitated to make any recommendations to the board concerning rates because of discussions at SIPC (Southern Illinois Power Cooperative) concerning PSGS (Prairie States Generating Station). PSGS was just about ready to come on line towards the end of 2011 and SIPC knew they would have to significantly raise rates to their members, which includes CCECI. By the fall of 2011, CCECI realized costs from SIPC would increase by over \$2,000,000 beginning on January 1, 2012. Management and the board discussed many scenarios on how much to increase rates and how to implement that increase.

During the 2011 Planning Meeting, management and the board kept focusing on being (1) fair, and (2) reasonable. Management recommended and the board approved raising rates \$1,214,000 beginning with January 2012 consumption. Remember our power cost was going up by slightly more than \$2,000,000. So now that we knew how much to increase rates, the next question was “how to implement the rate increase?”

At that time our facility charge was fairly low, \$22.00/meter/month, if we simply increased the energy charge, the large user would have been paying too much of the fixed costs and the low user wouldn't have been paying enough of the fixed costs. Based on those two factors, we decided to increase the facility charge a small amount each year until we get near the “true” cost of providing reliable power to your

home or business. We chose an increase amount of \$6.00 per year effective with members' January 2012 billing. At that time the average member's electric bill rose to \$161.36 or an \$8.02 increase (see illustration 1). \$6.00 of that increase came from higher facility charge and \$2.02 came from higher energy charges (see illustrations 2 & 3). By the way, CCECI budgeted negative Operating Margins (losses) for 2012.

Moving ahead to the 2013 budgeting process, management and the board knew they had to continue raising our facility charge by \$6.00/meter/month, but did not want to increase overall revenues for our cooperative. Therefore management recommended and the board approved raising the facility charge while decreasing the energy charge effective with members' January 2013 consumption. This decision resulted in the monthly billing for the average member to decrease to \$159.95 or a \$1.41 decrease (see illustration 1). It was comprised of a \$6.00 increase in facility charges and a \$7.41 decrease in energy charges (see illustrations 2 & 3). CCECI again budgeted negative Operating Margins (losses) for 2013.

By the end of April 2013 it became apparent that CCECI had to do something to avoid

finishing another year with negative Operating Margins. Management was estimating the negative Operating Margin would approach \$300,000. At the May board meeting management recommended and the board approved implementing a \$0.00400/kWh PCA charge. This caused the monthly billing for the average member to increase to \$165.23 or a \$5.28 increase (see illustration 1) The entire \$5.28 increase was energy related (see illustration 2 & 3).

During the late summer of 2013 management and the board began discussions concerning 2014 rates. SIPC was planning on raising rates to CCECI by about 4%. CCECI completed a revenue requirement study demonstrating the future revenue needs for the cooperative. The cooperative was in its 4th year of aggressive reliability capital improvements. The cooperative had also increased its long term debt significantly during those 4 years. The cooperative knew that continually increasing debt was not the best long term answer. Management recommended and the board approved rate increases effective with members' January 2014 consumption. That increase resulted in the average member's monthly bill to increase to \$170.39 or a \$5.16 increase (see illustration

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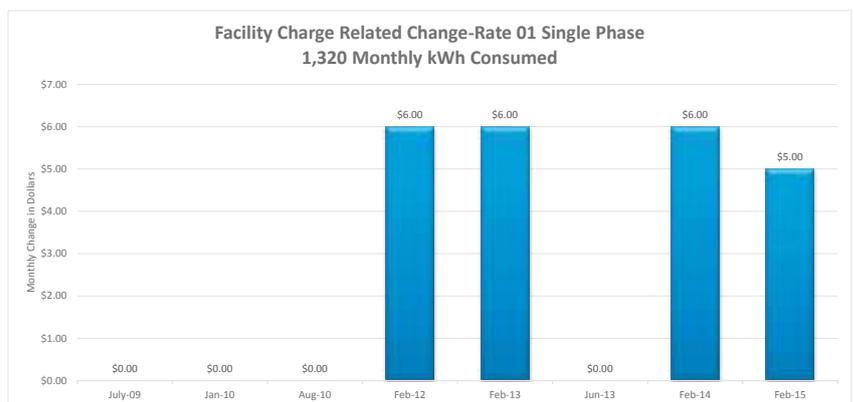


Illustration 2

Rate changes continued from 16b

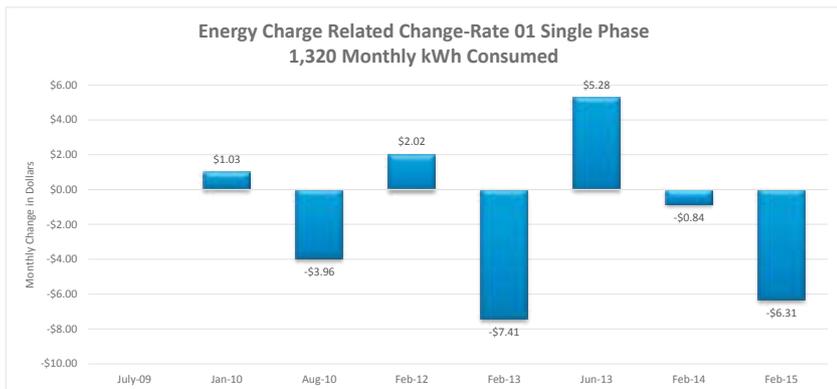


Illustration 3

1). At the same time we continued down that path of increasing the facility charge by \$6.00/meter/month and decreased the energy charge by \$0.84 (see illustration 2 & 3).

Now it's late summer/early fall of 2014, both management and the board believe total current revenues are sufficient for a financially strong cooperative. Both also believe we need to continue down the path of increasing facility charges while decreasing energy charges to achieve the long term goal of: (1) fair and (2) reasonable. Therefore at the October 28, 2014 board meeting

management recommended and the board approved rate changes effective with members' January 2015 consumption. The average member's monthly bill will decrease slightly to \$169.08, or a \$1.31 decrease (see illustration 1). This was accomplished by increasing the facility charge by \$5.00/meter/month while decreasing the energy charge by \$6.31 (see illustration 2 & 3).

In closing, since July 2009 the average consumer's bill has risen from \$156.27 to \$169.08 or \$12.81 which translates to an 8.2% increase or about 1.4% per year for the 5.5 year period (see illustration

1). During that time the facility charge has INCREASED by (\$6.00 + \$6.00 + \$6.00 + \$5.00 = \$23.00 see illustration 2), but during that same period the energy charge has DECREASED by (\$1.03 - \$3.96 + \$2.02 - \$7.41 + 0.84 - \$6.31 = \$10.19 see illustration 3) for a total INCREASE of \$12.81.

I have received many calls from low end users over the past 3 years concerning the increase in the facility charge. During those discussions I have tried to inform the member that the fixed costs associated with power line maintenance and construction is nearly the same for every member regardless of how many kilowatts they use.

Please remember, all initiatives we embark upon always have our members' best interest in mind. Providing our members with safe, reliable, reasonably priced electricity while providing excellent service will continue to be our goal. As always, if you have any comments or questions, please don't hesitate to contact me at Johnson@cceci.com.



**2015 Clinton County
Electric Cooperative
Annual Meeting**

**Thursday,
March 19, 2015
– Be sure to mark your
calendar!**

**It is never too early to
plan for your upcoming
annual meeting.**



*Our office will be closed
Wednesday, December 31 for
New Year's Eve and Thursday,
January 1 for New Year's Day.*



2015 Youth Day ^{3.25.15}

Sponsored by the Illinois Electric and Telephone Cooperatives



Applications are being accepted for 2015 Youth Day and Youth Tour

Clinton County Electric Cooperative will again sponsor up to 12 area sophomores or juniors to attend Youth Day in Springfield to be held on March 25, 2015, sponsored by the Cooperative and the Association of Illinois Electric Cooperatives. Of these 12, two will be selected to go to Washington DC from June 12-19, 2015 for an all-expense paid tour.

WHO MAY ENTER?

Youth Day in Springfield and Youth Tour to Washington DC are open to high school sophomores and juniors that are children of Clinton County Electric Cooperative members. (Children of Clinton County Electric Cooperative board of directors or employees may attend at their own expense.)

YOUTH TO SPRINGFIELD

A panel of judges will choose up to 12 students who will participate with more than 125 other youths from other Illinois electric cooperatives in Illinois Rural Electric Youth Day in Springfield set for Wednesday, March 25, 2015. The day's activities in Springfield will include touring the State Capitol complex, visiting with legislators and a luncheon. Transportation to Youth Day in Springfield will be provided by the Cooperative.

WASHINGTON TOUR

Of the 12 students attending Youth Day in Springfield, two will have the opportunity to participate in the Washington DC Youth Tour. The two local winners will join approximately 70 other Illinois students

who are winners of similar contests sponsored by other Illinois electric cooperatives. They will travel on air-conditioned buses, leaving on June 12 and returning June 19. While in Washington DC, they will visit such attractions as the White House, U.S. Capitol, Smithsonian Institution, Arlington National Cemetery, Lincoln Monument and many other national monuments and places of interest.

Applications are available at www.cceci.com/youthprograms. Completed applications need to be returned to the cooperative office no later than **February 23, 2015**. Feel free to contact Carrie Trame at Trame@cceci.com with any additional questions.