



New Rate Structure: Irrigation Customers



# Higher Efficiency Standards

- Technology Improvement in Efficiency & Government Mandates on Efficiency
  - Coops are predominately Residential and thus recover majority of their fixed costs thru an energy charge. Efficiency improvements reduce energy consumed and thus reduce revenue.

# MGEMC Cost of Service Study

- In 2019, MGEMC conducted a study to see where its rates were compared to the costs of serving all classes of customers.
- Rates structures have not changed since 2006.





# Residential Rate Changes



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The main difference in the new rate changes is the change in facility charge. The facility charge is the fixed charge that we use to cover our costs of service.

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The rate study showed that our cost of service to a residential facility is around \$42. Under the old rates, we charged a \$15 facility charge. In order to recover more of this fixed cost, we have increased the facility charge for residential service to \$25.

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Although the facility charge is increased under the new rates, the energy charge is actually decreased. This is a revenue-neutral rate change.



# Irrigation Facility Charges

- ▶ It might surprise you to know that the actual cost of maintaining electric service to an irrigation customer on the Load Management or Seasonal Agriculture greater than 50 KVA rate is around \$244 per month or \$2,923 per year
- ▶ For an irrigation customer on the Seasonal Agriculture less than 50 KVA rate, the cost of maintaining service to this customer is roughly \$49 per month or \$580 per year
- ▶ After increasing the facility charges on the irrigation rates and reducing the energy charges per KWH, we are still charging well below our actual cost of serving irrigation customers.



## Changes to Load Managed Rates (TOU and Load Control):

- Monthly Facility Charge change from \$25.00 to \$50.00
- Monthly Facility Charge annual total \$600 will be collected over four months, June thru September, with no facility charge the other eight months of the year
- Reduction on energy charges per KWH on different blocks of usages to one fixed energy charge per KWH
- First 100 KWHs per month are at no charge
- **Changes to Seasonal Agriculture Rates:**
  - Seasonal Ag Rates can apply to other than irrigation loads and typically use energy less than six months of the year
  - **Seasonal Ag Rate Less than 50 KVA**
    - Monthly Facility Charge change from \$17.00 to \$27.00
    - Reduction in Three Energy Blocks to Two Energy Blocks and Lower Energy Charge per KWH
  - **Seasonal Ag Rate greater than 50 KVA**
    - Monthly Facility Charge change from \$25.00 to \$50.00
    - Eliminate Demand Charge per KW
    - Reduction in Energy Blocks to One and Lower Energy Charges per KWH



## Load Managed Irrigation Rates

Existing				New			
Rate #	Description	Monthly Facility Charge	\$/KWH	Rate #	Description	Monthly Facility Charge	\$/KWH
<b>6</b>	<b>Time of Use - Agriculture</b>	\$ 25.00		<b>6</b>	<b>Time of Use - Agriculture</b>	\$ 50.00	
	1st 10,000 KWH		\$ 0.112		First 100 KWHS		\$ -
	Additional KWH		\$ 0.099		Additional KWH		\$ 0.099
	On Peak Charge		\$ 0.750		On Peak Charge		\$ 0.750
					Monthly Facility Charge collected June - Sept at \$150 per month		
<b>9</b>	<b>Load Management Irrigation</b>	\$ 25.00		<b>9</b>	<b>Load Management Irrigation</b>	\$ 50.00	
	1st 3000 KWHS		\$ 0.175		First 100 KWHS		\$ -
	Next 7000 KWHS		\$ 0.137		Additional KWH		\$ 0.135
	Additional KWH		\$ 0.099		On Peak Charge		\$ 0.750
	On Peak Charge		\$ 0.750		Monthly Facility Charge collected June - Sept at \$150 per month		

## Non-Load Managed Irrigation Rates

Existing				New			
Rate #	Description	Monthly Facility Charge	\$/KWH	Rate #	Description	Monthly Facility Charge	\$/KWH
<b>4</b>	<b>Seasonal Service Agr. &lt; 50KVA</b>	\$ 17.00		<b>4</b>	<b>Seasonal Service Agr. &lt; 50KVA</b>	\$ 27.00	
	1st 1000 KWH		\$ 0.210		1st 10,000 KWH		\$ 0.170
	Next 9000 KWH		\$ 0.170		Additional KWH		\$ 0.140
	Additional KWH		\$ 0.140				
<b>7</b>	<b>Seasonal Service Agr. &gt; 50 KVA</b>	\$ 25.00		<b>7</b>	<b>Seasonal Service Agr. &gt; 50 KVA</b>	\$ 50.00	
	Demand Charge per KW	\$ 4.00			Per KWH		\$ 0.195
	1st 4000 KWHs		\$ 0.212				
	Additional KWH		\$ 0.152				



# Billing Example

Example of using 10,000 KWHs in one month:

<b>Rate #</b>	<b>Description</b>	<b>Existing</b>	<b>New</b>
4	Seasonal Ag < 50 KVA	\$ 1,757.00	\$ 1,727.00
6	Time of Use	\$ 1,145.00	\$ 1,030.00
7	Seasonal >50 KVA	\$ 2,085.00	\$ 2,000.00
9	Load Managed with Switch	\$ 1,509.00	\$ 1,486.00

# Conclusions

- During a wetter than normal year, you may see the increase in your bill due to lower energy usage.
- In normal or dry years, your bill should not show much difference under the new rate structure.
- Overall, the rate structure change will help stabilize our financial position by recovering more of our fixed costs.

