

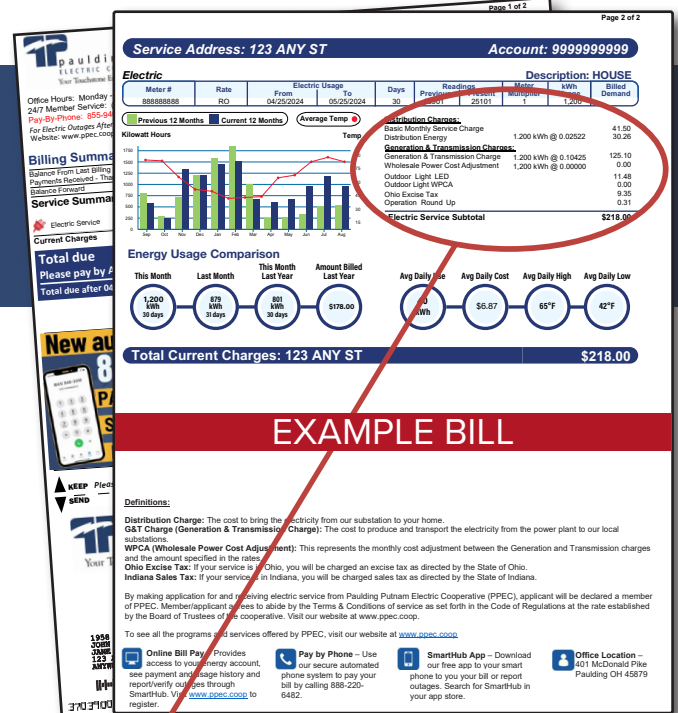
# Understanding our NEW RATES

Effective on the bill you'll receive in May (due in June), the PPEC Board of Directors approved a rate adjustment due to rising costs. Nearly all companies have implemented increases to keep up with rising costs, inflation, and material shortages – and your co-op is facing the same pressures. PPEC has held off a rate increase for the last six years to minimize the impact on our members.

Time-of-day, net billing, and commercial accounts are being contacted individually. Learn more on our website, including ways to combat cost increases and reduce your bill: [www.PPEC.coop/2024RateAdjustment](http://www.PPEC.coop/2024RateAdjustment).

**The average member using 1,200 kWh a month will see a \$26.45 per month increase.**

*Not an actual bill. Below bill examples based on 1,200 kWh home use*



### EXAMPLE BILL

#### Current Standard Residential Rate

Basic Monthly Service Charge		\$35.00
Distribution Energy	1,200 kWh @ 0.01913	\$22.96
Generation & Transmission Charge	1,200 kWh @ 0.08093	\$ 97.12
Wholesale Power Cost Adjustment*	1,200 kWh @ 0.012785	\$ 15.34
Outdoor Light		\$ 10.80
<b>Total Current Charges</b>		<b>\$170.41</b>

#### New Standard Residential Rate

Basic Monthly Service Charge		\$41.50
Distribution Energy	1,200 kWh @ 0.02522	\$30.26
Generation & Transmission Charge	1,200 kWh @ 0.10425	\$125.10
Wholesale Power Cost Adjustment*	1,200 kWh @ 0.00000	\$ -
Outdoor Light		\$11.48
<b>Total Current Charges</b>		<b>\$196.86</b>

\*Note: The WPCA varies month to month and will continue increasing due to rising power generation and transmission costs.

## Here's the average residential member breakdown:

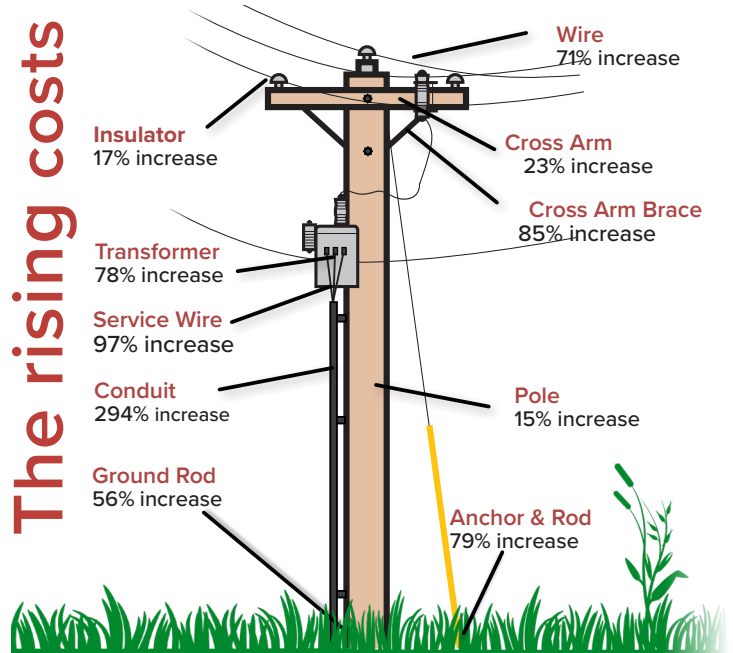
- The monthly service charge is increasing **\$6.50 (from \$35 to \$41.50 per month)**. This covers the fixed costs PPEC has to ensure reliable power is available to you 24/7/365, through wires, poles, transformers, and other equipment, plus maintenance, taxes, etc.
- The distribution energy charge is increasing just over half a cent (from 1.9 cents to 2.5 cents per kWh). This is the cost to bring electricity from our substation to your home.
- The Generation and Transmission Charge is increasing 2.3 cents (from about 8.1 cents per kWh to 10.4 cents per kWh).

This is the cost to produce electricity and transport it from a generation facility (like a power plant) to our local substations. This includes the current Wholesale Power Cost Adjustment (WPCA), which reflects the fuel, transmission, and demand costs passed on to PPEC from Buckeye Power, our wholesale power supplier. Once the WPCA is rolled into the G&T charge, this will set a new base for the power cost adjustment moving forward.

- For those with an outdoor light, the cost per month is increasing **68 cents (from \$10.80 per month to \$11.48 per month)**.

## 1. What are the reasons why we need to increase rates?

- Our costs are increasing faster than our revenue. Our last rate increase was in 2018. According to our 2023 Cost-of-Service Study with industry expert Power System Engineering, an adjustment was recommended for the long-term health of the cooperative. Moving forward without a rate increase puts us at risk of having insufficient funds to invest in electric reliability.
- We are not-for-profit and member-owned. We don't exist to make money for investors. Any increase in revenue is only used to reinvest back into our electric system and office operations.
- Over the last few years, without a rate increase, we have seen our costs of doing business increase substantially (see the graphic below). We can only absorb these cost increases for so long. That includes the prices we must pay for poles, wire, transformers, meters, line equipment, and vehicles.
- Our electric system requires \$4-5 million yearly, every year, in maintenance and upgrades. We aim to keep power available for you 99.98% of the time, 24/7/365.

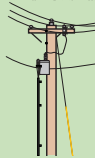


Material inflation from 2020-2023

## PPEC material cost increases (2020-2023)



**TRUCKS**  
72% INCREASE



**POLES**  
15% INCREASE



**TRANSFORMERS**  
78% INCREASE



**TREE PRUNING**  
23% INCREASE



**WIRE**  
71% INCREASE



**GAS**  
24% INCREASE  
**DIESEL** 75% INCREASE

**TRANSMISSION NETWORK CHARGE**  
38% INCREASE

## 2. How much will this increase PPEC's profits?

- Zero. We are not for profit. Any margin increase from this rate increase will be allocated back to you, to each member, and eventually paid back to you in the form of capital credits

### 3. Why not stop paying capital credits instead of raising rates?

- Delaying or reducing our [capital credit pay-outs](#) could help reduce an electric rate increase. However, it creates a fairness issue for the members who put money into the cooperative. They would be taking the hit to give current members a benefit.
- We would still have to raise rates to maintain investments in electric service. Member allocations are like loans; they belong to the members and legally have to be repaid.

### 4. How much of an increase?

- **For residential and single-phase general service members (the majority of you reading this), the average monthly increase is \$26.45, or less than \$7.00 a day.**
- **The monthly service charge is increasing by \$6.50 from \$35 to \$41.50 per month.** This covers the fixed costs PPEC has to ensure reliable power is available to you 24/7/365 through wires, poles, transformers, and other equipment, as well as maintenance, taxes, etc.
- **The distribution energy charge (kWh charge) is increasing just over a ½ cent from 1.9 cents to 2.5 cents per kWh.** This is your home's electric usage each month, which you can reduce by taking steps to become more energy efficient (scheduling a free home energy audit, installing ENERGY STAR appliances or LED lights, monitoring SmartHub, etc).
- **The Generation and Transmission Charge is increasing by 2.3 cents from about 8.1 cents per kWh to about 10.4 cents per kWh.** This covers costs associated with producing electricity and moving it from a generation facility to the distribution substation. This includes the current Wholesale Power Cost Adjustment (WPCA), which reflects the fuel, transmission, and demand costs passed on to PPEC from Buckeye Power, our wholesale power supplier. Once the WPCA is rolled into the G&T charge, this will set a new base for the power cost adjustment moving forward.
  - Note: The WPCA varies month to month and will continue increasing due to rising power generation and transmission costs. Members can help us manage this charge by joining our load management program and conserving energy during peak alerts.
- **For those with an outdoor light, the cost per month is increasing by 68 cents (from \$10.80 per month to \$11.48 per month).**

### 5. How do PPEC's rates compare to others?

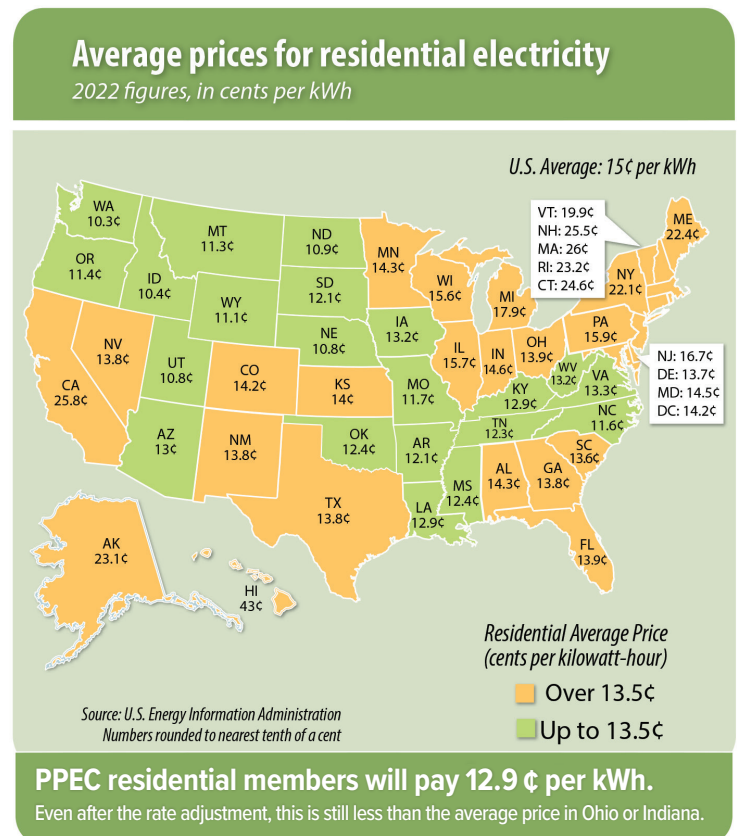
- According to the U.S. Energy Information Administration, the average standard residential electric rate in Ohio is 13.9¢ per kilowatt-hour, and Indiana is 14.6¢ per kWh. **After our rate adjustment, PPEC members will pay 12.9¢ per kWh. So, we are still less than the average in both Ohio and Indiana.**

### 6. How was the amount determined?

- We consulted a 3rd party expert service, Power System Engineering, to ensure our current rates will protect the long-term health of the cooperative. We were advised that an adjustment was needed to cover our increasing fixed costs, ensure our rates were fair, and cover the actual costs of providing power. Members who would like more information about the Cost-of-Service study are welcome to contact our office.

### 7. When will the rate adjustment take effect?

- It will be effective on the bill you receive in May (due in June).



## 8. What would happen if we didn't increase rates?

- The primary result is that we must stop [investing in electric reliability](#)—no more tree trimming, pole testing, line maintenance, etc. We would have more outages, and they would last longer. We would also be unable to handle the growth occurring in our territory, which demands more electric capacity from PPEC.
- We would also have to increase our debt and loan borrowings. We would incur more outstanding debt from our lenders, increasing interest expenses and reducing our financial flexibility.

## 9. Why is the Service Charge increasing to \$41.50?

- This is a flat monthly charge to pay the fixed costs of an electric distribution system, including poles, wires, substations, transformers, meters, tree trimming, pole testing, interest, depreciation, and repairs, maintenance, rebuilds, and upgrades. The Service Charge helps pay for electric reliability investments. The cooperative pays for these costs every month even if no electricity is used.
- There are two types of costs we incur in running our business – Fixed Costs and Variable Costs. Almost all the costs we incur are Fixed Costs, meaning they don't change based on how much electricity you use. If you use 1-kilowatt hour (kWh) or 1,000 kWh, we must still build and maintain the same equipment so it is available for you to use 24/7/365.

## 10. Why is your Service Charge much higher than local municipals, AEP, and I&M?

- PPEC serves just over 6 members per mile of line, whereas municipal and investor-owned utilities serve 30+ members per mile. Additionally, our sales are primarily residential, whereas the other utilities receive a much higher portion of their sales from commercial and industrial customers. All of this means that the other utilities receive 5 to 10 times more revenue per mile of line than we do, and therefore they are much better positioned to spread their fixed costs.
- It costs well over \$80,000 to build one mile of single-phase line (or to re-build 1 mile of an old line), and \$130,000 for one mile of a three-phase line. It costs about \$3 million to expand an existing substation for in our growing need for power availability. These costs cannot be recovered only through the energy charge but must also come from a monthly flat service charge

## 11. Seasonal accounts: I'm in Florida 6 months of the year. Why do I still have to pay the monthly Service Charge?

- Because the cooperative still incurs the costs of making service available to your property, whether you use it or not... Maintenance, upgrades, depreciation, interest, etc. Our business costs do not decrease when you are not at your property.
- Analogies:
  - Similar to insurance: You pay an insurance premium to support the availability of insurance when needed. You pay the insurance premium even if you don't use the insurance.
  - Similar to property taxes: You pay property taxes even if you're not using the property. The property taxes pay for all the local services; the costs of those local services are still there even if you're not at your property.
  - Similar to car payments: You still have to make car payments and car insurance even if you don't drive your car.



The average PPEC member's daily cost for electricity is less than \$7  
**THAT'S LESS THAN A MEDIUM PIZZA!**  
...Can you think of a better value?

## 12. What can I do to reduce my bill?

- We have several programs and [tools to help you control your electric use](#).
- Please take advantage of our rebates for energy-efficient upgrades.
- We provide free home energy audits – over the phone or in person.
- Take advantage of our online energy calculators to help you determine what it costs to run almost everything in your home.
- Our SmartHub app and online site give you access to monthly, daily, and hourly electric use. This can help you identify where your energy dollars are going, which could lead to savings.
  - **Starting in April, a new “Home Energy Analytics” tool will be available to SmartHub users, which will help members see how much energy various appliances in their home use – and give tips to reduce energy and lower your bill. Monthly bill projections will be available so you can make changes in real-time to reduce your usage if desired.**

## 13. What assistance is available if I can't pay my bill?

- PPEC recognizes that financial hardships happen to everyone, and sometimes you need a little extra support paying your bill. We have many options available to do things like give more time to pay, set up payment plans, and harness the power of our communities to help reduce your payment. Let's work together to find the right option for you. Visit our website, [www.PPEC.coop/bill-payment-assistance](http://www.PPEC.coop/bill-payment-assistance) to see what option is best for your situation. We are also available to help you decide by calling our office and speaking with a member services specialist at 1-800-686-2357.

## 14. What is the WPCA? Will this increase?

- The Wholesale Power Cost Adjustment is not directly a PPEC charge but reflects changes in the cost we pay for the generation and transmission of electricity. The WPCA is a cost we pass on to members from Buckeye Power, our wholesale power supplier. Costs in the WPCA include the cost of fuels to generate electricity, high-voltage transmission to move the electricity from the generating plant to our local substation, and peak demand costs when electric use is high for all members.
- The WPCA will most likely continue to increase over time as commodity costs increase. You will see this line item change over time.

## 15. Couldn't expenses (payroll, benefits, costs) be cut to prevent a rate increase?

- To provide quality service, a certain level of cost is needed. We regularly review our expenses and strive to do more for less. There are many economic challenges of being a rural utility service provider that city and town utility providers don't have.
- There are over 900 electric cooperatives in the U.S., and we annually compare our operating metrics to other cooperatives. We regularly outperform our peers in cost control, efficiency, and productivity.

## 16. Can I hook up a windmill or solar panels and sell power back to the cooperative? And if so, for how much?

- For a residential-size [renewable generation](#), our policy allows for “net billing.” This is for generators 25 kW or less. With net billing, you first use any generator production for your home or facility. Any excess is sent back through our meter, and we pay you a similar average wholesale cost that we pay for other sources.
- Please [get in touch with us](#) first so we can help you with calculations such as what size you need, and how much money you will make. Most members will not see a financial payback for many years.



*If you have questions regarding the increase or would like advice on ways you can reduce your electric bill, please give our office a call at 800-686-2357. Our Energy Advisor, Peter Niagu, is happy to offer custom recommendations based on your unique home circumstances.*