



CEO's Memo

Tim Sullivan, WH President and CEO

Updated rates help prepare for our energy future

If you were around at the time, think of what you were doing in 1983. Ronald Reagan was President and in popular culture “Return of the Jedi” was packing theaters, “Dallas” was the hit show, and “Come on Eileen” was a hit song.

Given the pace of modern life and advances in technology, everyday living has dramatically changed since. That’s true in the utility business, too. But elements of our core utility rate structure haven’t kept pace. Some components of your electric bill have remained the same since 1983 – just after the release of Michael Jackson’s “Thriller” album.

We notified you that a rate study was underway in the February and December Hotline Updates. And after much consideration from WH’s board and management, we thought it was time to modernize that rate structure while staying true to our ongoing principles. Our rates have to be competitive, yet ensure sufficient revenue. Here are a few key elements of our plan:

- We expect to continue to beat Xcel Energy on energy costs annually for those who use about 1,000 kilowatt hours per month. This is the average for residential members across our service territory (see Graph A on page 4).
- We plan to change the basic monthly charge by a little over a dollar a month from the current \$8.25 to \$9.35. Members can expect to see regular but modest increases annually thereafter. This increase is designed to help the co-op recover the embedded costs of our distribution system, including poles, wires and transformers.
- This increase will be offset by gradual *reductions* in the Power Cost Adjustment (PCA) portion of your bill. Since the PCA is based in part on fuel prices that move up and down, it can be unpredictable, and WH is committed to lessen its impact. This will help make electric bills more stable.
- We anticipate the average residential member’s bill will increase by about 4.5 percent in 2016 and increases in the out years are predicted to be within WH’s historical range.

When compared with all Minnesota cooperatives, WH’s basic charge is among the lowest 10 percent. The 2016 rate adjustments tally to an average increase of approximately \$5-\$6 per month, or roughly 20 cents per day.

And while wholesale power costs have increased 35 percent since 2008, WH has held the line on operating expenses (see Graph B on page 4). Our distribution costs are lower than the vast majority of cooperatives in the state and nation, and lower than most systems our size.

Still, 70 percent of our costs come from power supply, most of which we purchase from Great River Energy and Basin Electric Cooperative. Cost pressures on these generators will only increase as they try to adapt to the EPA’s new Clean Power Plan and other significant changes in energy markets. WH is spreading these increasing costs over the same number of sales as in 2008.

We’d love to tell you that rates will stay flat, but they are going to increase. Our job is to control those costs as much as we can at the co-op, while giving you additional tools to control your costs. Our Off-Peak programs, MyMeter tool, Co-op Connections Card, community solar arrays and new rebates for energy-efficient technologies are prime examples of how you can save energy and money.

Socrates once said, “The secret of change is to focus all of your energy, not on fighting the old, but on building the new.” Your board and management team believe these changes will not only keep your co-op strong today, but set the stage for success for those looking back 30 years from now.