

December Bill Credit and January Facility Charge Increase

One of the enjoyable components of my position is sharing positive news and information with you, our members, which is part of what I am doing today. At the December 2022 board meeting, your board of directors approved a bill credit to the membership totaling \$215,765. The unenjoyable part is acknowledging the Facility Charge increase effective Jan. 1, 2023. I'm sure most of you are thinking, "Why would you give a credit one month only to raise rates the following month?" This is an excellent and worthwhile question I hope to explain in a plain and simple manner so you may have a better understanding of our electric rates.

At Franklin REC, we try to keep electric rates as simple as possible, however, they can become confusing depending on your locations level of service. For today's discussion I will be covering and referencing our rate structure for the average homestead usage, which speaks to majority of our membership.

If you have a copy of your electric bill, it may be helpful to reference while we explain in more detail. We will be specifically discussing the section of the bill entitled "Detail of Charges."

Two (2) Part Rate

Franklin REC's electric rates can be broken into two categories: fixed costs and variable costs.

Franklin REC's Fixed Costs: These costs are items the cooperative spends money on regardless of the amount of electricity used every month, such as poles, wire, insurance, depreciation, wages, transformers, tools and so on.

Where does this appear on my bill? The fixed cost is shown as the "Facility Charge" on your bill. This is a monthly charge.

Member Fixed Costs: This is the cost associated with the delivery of power at your specific location. The cost consists of the meter(s), transformer(s), wire, poles and material to provide power at the single location.

Franklin REC's Variable Costs: The cooperative's variable costs are affiliated with the amount of electricity used during a single month. The majority of this cost consists of Franklin REC's power purchases from our generation and transmission cooperatives, Corn Belt Power Cooperative and Basin Electric Power Cooperative, for us to distribute to our membership.

Where does this appear on my bill? The variable cost is shown as the "Energy Charge." This is a tiered charge, after the first 1,000kWh are used the rate decreases for the remaining usage.

Member Variable Costs: Your variable cost is associated with the amount of electricity used at your service location during a month period.

While analyzing and determining our rates and rate structure, we attempt to classify each individual cost into a specific category. If the cooperative was to include fixed costs within the energy charge and we have a low usage month, we would be unable to pay for those fixed costs. Alternatively, if we included the variable costs into the monthly facility charge during a low usage month, the cooperative would be

over collecting from the membership. Thus, influencing the importance our diligence of reviewing each cost associated to operating the cooperative while maintaining our financial obligations and responsibility to our membership.

December Bill Credit and January Facility Charge Increase

Now that we have a better understanding of Franklin REC's rate structure, I will discuss the purpose of the December credit followed by the January rate increase as mentioned above.

December Bill Credit: Basin Electric Power Cooperative, where Franklin REC purchases power from, issued a credit to Franklin REC due to an over collection of energy purchased during the 2022 calendar year. This means you, our member, paid into that credit through your energy charge on your monthly bill, which is why the board of directors elected to return the credit in the same revenue year the credit was received.

January Facility Charge Increase: In early November, Franklin REC sent a "Notice of Rate Increase" letter to all members detailing the Jan. 1, 2023 Facility Charge increase and the details regarding the decision. To summarize the notice, it explained how the cooperative's fixed costs were increasing at a rate we could no longer sustain based on the current facility charge rate.

Bringing it all together: One of Franklin REC Board of Director's top priorities is to do what is in the best interest of the membership, including maintaining our financial integrity and transparency to you. The board's decision was determined by examining the credit and increase as two individual monetary events. The December bill credit was due to the over collection of energy charge by Franklin REC's power provider, which influences the variable cost. The January rate increase is associated to the increase of cooperative's fixed cost to provide electricity to your service location. To the best of our abilities, we attempt to categorize the cooperative's fixed and variable costs, and feel we should do the same with any credits or refunds the cooperative receive. This is the reason your electric cooperative is performing a December bill credit and a January rate increase.

We are always available to answer any rate question you may have. Please call our office number (641.456.2557), send us an email (contact-frec@franklinrec.coop), send us a text (641.456.6466), mail a letter (PO Box 437), or drop by the office with your questions.

Thank you for being a member of Franklin REC and allowing the employees and board of directors the opportunity to serve you.