

Midwest Energy, Inc.

Current Comments

August 2022

Making energy work for YOU

Meetings Scheduled on Proposed Electric Rate Changes

Revenue-neutral proposal introduces demand charge while lowering energy charge

Midwest Energy is studying adoption of a three-part rate structure for all electric rate classes, featuring a customer charge, energy charge and a demand charge, beginning Jan. 1, 2023.

"The trend for utilities in recent years is to implement three-part rates," said Bob Muirhead, Midwest Energy's Vice President for Customer Service. A three-part rate provides a better signal to customers about the primary driver of electric utility costs. A majority of system costs are based on summer peak load conditions, not the customer's total energy use in any month. Muirhead continued, "If customers can help reshape our summer load profile, individual and collective savings are possible."

Currently, most Midwest Energy residential and small commercial customers have a two-part rate structure; a customer charge, which is a fixed \$28 per month charge for all residential customers, and an energy charge, which is based on the volume of kilowatt hours of electricity used during the month.

The proposed rate change would introduce a third component, a demand charge. Demand refers to the amount of electrical power being used at a given time. While the energy charge is based on the volume of electricity used in kilowatt hours, demand is based on the intensity at which energy is used (or the "demand" one puts on the grid) in kilowatts.

Demand charges would be a monthly charge based on "peak demand," or the maximum number of kilowatts a customer used at a specific time. In the summer months of June 1 through September 30, demand would be billed based on peak demand between 3 p.m.- 7 p.m. The rest

of the year, the billed demand would be based on when-ever peak demand was reached during the month. Non-summer demand charges would be lower than during the four summer months.

"Customers can lower their peak demand by not concentrating use of high-consumption appliances at one time," said Brian Dreiling, Midwest Energy's Manager of Energy Services. "For example, in the summer, not using the electric oven or clothes dryer between 3 and 7 p.m. will not only lower your demand, but will also make your air

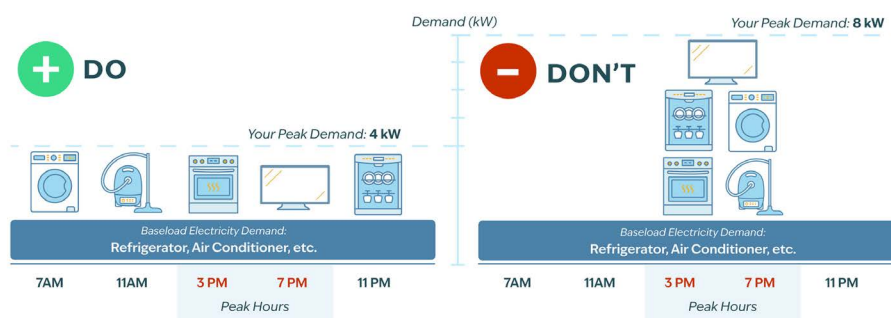
conditioner run less since both of those appliances generate a lot of heat."

Since the concept of demand is new, under the proposal residential customers would start seeing peak demand listed

on their bills beginning in January 2023, but the demand charge would be \$0 until January 1, 2024. This one-year period would give customers time to understand demand better, and adjust energy usage habits if they choose before new charges are introduced. Small commercial customers, however, would see bill impacts starting Jan. 1, 2023. Most irrigation, oil field and large commercial customers already have demand charges as part of their rate structures.

Muirhead noted that the proposed introduction of demand charges would be revenue-neutral for the company, and would be phased in over a three-year period. Additionally, the demand charge would be offset by reductions in the energy charge annually over the same period. Rate designs are still being finalized, and will be available for viewing in late August 2022, along with bill *Continued*

Spreading out the use of major appliances is the easiest way to manage your demand and reduce your electric bill.



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2022 Annual Meeting Scheduled for October

Midwest Energy's 2022 Annual meeting will be held at 10 a.m. on Monday, Oct. 17 at Fort Hays State University's Robbins Center.

During the Annual Meeting, Board officers and the CEO will deliver remarks on the financial and operational status of the cooperative, as well as the current regulatory issues and trends in energy. Board of Directors election results will also be announced.

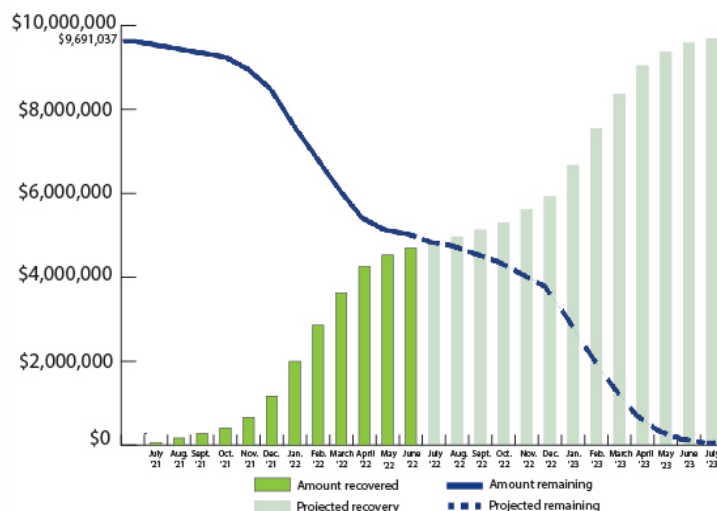
The meeting will last approximately one hour, and more than a dozen door prizes will be awarded. All Midwest Energy members are encouraged to attend.

Winter Storm Uri Cost Recovery Update

Winter Storm Uri Cost Recovery Schedule

Midwest Energy is on schedule with recovering \$9.691 million in excess natural gas costs during February 2021's Winter Storm Uri.

In May 2021, Midwest Energy's Board approved the collection of an additional 14.3¢ per therm addition to the Gas Supply Cost Adjustment to recover the excess cost, which was expected to take 24 months. At the end of June 2022, Midwest Energy had recovered \$4.698 million, leaving \$4.992 million to be collected.



Modeling shows that if gas sales follow historic patterns, the cost recovery will be complete on target, at the end of the roughly 24-months originally predicted.

Customer Meetings Scheduled for Rates Proposal

impact examples, at www.mwenergy.com/residential/demand_rates. Midwest Energy is developing a collection of print and on-line information materials to help with the transition.

Muirhead said in the long run, three-part rates will help control future power supply costs, which is the largest component of electric bills. Plus, three-part rates improve rate equity within rate classes, so customers pay an appropriate share of the cost based on the demands each customer actually places on the grid.

"About 80 percent of Midwest Energy's costs are fixed, mostly related to system capacity, but only 20% of our revenue is recovered through fixed charges," Muirhead said. "Three-part rates would help bring those two numbers closer to alignment. By controlling our demand, we can better control costs in the future

for all customers."

Midwest Energy will hold a series of public meetings to educate customers on the proposed rate changes. Meeting times and locations are:

Colby: October 11, 6:30 p.m., Colby Community College, Student Union-

Kinsley: October 18, 6:30 p.m., City Hall, Community Room

Great Bend: October 19, 6:30 p.m., Great Bend Front Door, 1615 10th St.

Hays: October 20, 6:30 p.m., Hilton Garden Inn, 221 W 43rd St.

The Board of Directors will consider and vote on the approval of the rate changes at an open member meeting on **Thursday, Nov. 17, 2022** at 1 p.m. at the Midwest Energy office, 1330 Canterbury Dr., Hays, Kan. All members are invited to attend the

open meeting.

Customers have the opportunity to send comments regarding the proposed rate changes to Midwest Energy no later than Nov. 10, 2022. Comments should be addressed to Bob Muirhead, VP for Customer Service, at bmuirhead@mwenergy.com, or by calling (785) 650-2502 with your comments.

Energy Efficiency Tip of the Month

An easy way to save energy is to seal air leaks and holes where plumbing pipes run through walls in your home. You can also check wall-mounted cabinets for plumbing holes or air gaps in the back.



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