

# Midwest Energy, Inc. Current Comments

August 2023

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## Lowest Electric Rates Among Kan. Co-Ops Midwest's Residential Rates Lowest, But Cost, Reliability Challenges Emerging

Midwest Energy's residential electric rates are the lowest among Kansas-based electric co-ops, and are lower than rates paid by urban customers of the state's largest investor-owned utility.

In 2022, Midwest Energy's residential electric customers paid an all-inclusive average of 12.1¢ per kilowatt hour, the lowest of any Kansas-based co-op and 18.5 percent below the Kansas co-op average. Similarly, Midwest Energy's rates were 13 percent lower than the average for investor-owned utilities.

Patrick Parke, Midwest Energy's Chief Executive Officer, noted the low rates are a result several factors, including an abundance of renewable energy in the area often creating low hourly wholesale market prices; conscientious employees and Board members; and a long-standing goal of keeping rate growth at or below inflation.

Parke cautioned, however, that policies favoring renewable energy development over all alternatives, a growing dependence on natural gas, and retirements of firm resources before replacement technologies are ready, will lead to more volatility in energy market prices, as well as more frequent appeals for conservation in peak periods.

"Future cost and reliability challenges are not simply due to the addition of more renewable resources on the grid," Parke emphasized. "Rather, the early retirement of base-load generation like coal plants, and concentrated

dependence on natural gas bring new concerns." Frozen natural gas production was the largest source of generation shortfalls in the Southwest Power Pool in 2021's Winter Storm Uri.

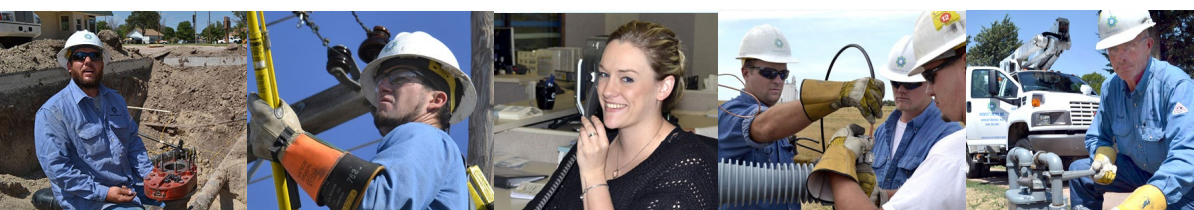
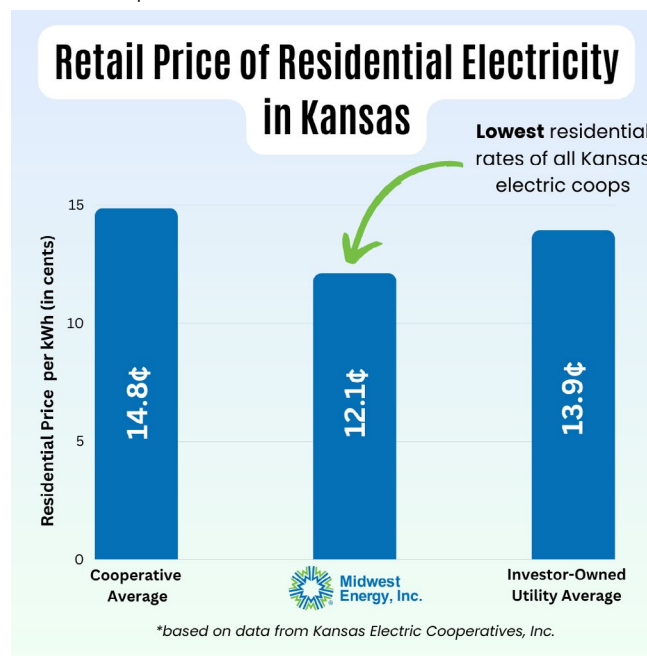
Parke said another factor impacting future rates is the need for transmission construction. "Federal policy direction on transmission line cost responsibility for

renewables development is not helpful." Much of Midwest Energy's transmission system was built in the 1950s through 1970s. At costs approaching \$1 million per mile, rebuilding old lines and upgrading them to export renewable energy to other regions will require many millions of dollars. This will add cost pressures; the company's most recent 10-year financial forecast anticipates three percent annual rate growth.

Parke noted the company's newly adopted demand rates

will help customers manage bills. "Many of our costs stem from investments to meet peak load conditions. Customers can help us manage costs by reducing consumption during peak load conditions," he said.

Parke added, "In the meantime, we'll take all the steps we can to keep future bills as low as possible, including encouraging energy conservation through our HowSmart program, improving cost containment practices, pursuing federal grant opportunities, and working with elected officials on energy policy."



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# Midwest Earns Public Gas Assn. Safety Award

Midwest Energy recently won the American Public Gas Association Safety Contest for a fifth year. This award is given to companies with the lowest incidents of injuries in the provided work hours. Only work hours in the gas utilities are considered. Midwest earned this award in 2017, 2018, 2020, 2021 and 2022.

The contest is divided into five different groups, based on the number of annual work hours. Midwest falls

into Group E, which is for companies with annual work hours totaling 70,001 or higher.

Midwest was the only Kansas utility given this award and one of only 11 companies in North America to receive this award in Group E. Thirty-two winners were selected across all groups A-E Nationwide.

This award is the result of the combined efforts of many employees.

"Thanks to everyone, both supervisory and craft, who made this safety accomplishment possible," Vice President of Operations, Fred Taylor said. "Your hard work is appreciated."



## Delivery Charge Sales Tax Removed From Bills

Midwest Energy customers may have noticed a pleasant surprise on July bills. Beginning July 1, Midwest Energy stopped collecting state, county and local sales taxes on delivery charges when delivery is separately itemized on bills.

The action follows the Kansas legislature passing House Bill 2136 in 2022, which Midwest Energy supported. Because language in the legislation was unclear, the Kansas Department of Revenue issued a ruling that the new law excludes natural gas and electricity delivery

charges from the taxable basis of the sale, when those charges are separately stated on invoices.

The changes will result in significant savings. Midwest Energy customers paid an average of \$695,000 annually in sales taxes related to delivery charges, including \$414,000 in state sales tax, \$167,000 in county tax and \$114,000 in city sales tax.

Under Kansas law, residential electric and natural gas customers do not pay state sales taxes on utility bills, although some county and city jurisdictions levy local sales taxes.

The new law removes only the separately itemized delivery charge from taxation; other portions of the bill remain taxable.

"This is a big win for our customers," said Todd Gabel, Accounting Manager at Midwest Energy. "Anything that saves our customers money and helps control rates, we support."

## 2023 Annual Meeting Scheduled

Midwest Energy's 2023 Annual Meeting will be held at 10 a.m. on Monday, October 16th at the Hilton Garden Inn., 221 W. 43rd St., Hays, KS 67601.

During the Annual Meeting, Board officers and the CEO will deliver remarks on the financial and operational status of the cooperative, as well as current regulatory issues and trends in energy. The two students who were selected to attend the 2023 Youth Tour in Washington, D.C. will give a brief presentation on their experience. Board of Director election results will also be announced.

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

### Energy Efficiency Tip of the Month

Did you know ceiling fans can make a room feel 4 degrees cooler? To save energy through ceiling fan use, remember to raise your thermostat a few degrees while fans are turned on. Ceiling fans can help improve comfort year-round. In the summer, operate ceiling fans in a counterclockwise direction. Reverse the direction to clockwise during winter months and set fans on a low speed so warm air can circulate from the ceiling to the lower levels of the room. Remember, ceiling fans cool people, not spaces. Be sure to turn them off when you leave the room.

Source: Dept. of Energy



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