

## **Questions and answers regarding the 2023 rate increase**

### **Q. I hear power rates are increasing, is that correct?**

A. Yes, that is correct. Capital Electric's rates will be increasing on May 1<sup>st</sup>, 2023. Our last rate increase occurred in 2016 and cost pressures have grown over that 7-year period. Based on the current rate change, an average residential account will see an increase of \$8.25 per month.

### **Q. What cost pressures are leading to the need for the increase?**

A. Cost pressures are occurring in most categories.

- The 2016 rate increase was primarily due to rising wholesale power costs. Since that time, Basin Electric (our power generation cooperative), has maintained steady rates or even decreased them slightly. However, we pay Central Power (our power transmission cooperative), directly for our power and their rate structure has meant small, incremental increases for Capital Electric during that time.
- Recently, our cost of materials and supplies has increased significantly. This includes meters, transformers, conductor and most other equipment and supplies as well. We remain committed to the reliability of our electrical grid, so we continue pursuing projects that are necessary to keep your lights on.
- Vendors and contractors used by Capital have felt cost pressures. Some of these cost pressures relate to the competitive environment to attract and retain employees.
- Interest rates on the money we borrow have also increased. The loans we secured in 2022 had an interest rate 2% higher than our 2020 loans.

### **Q. Is there anything I, as a member, can do to offset the impact of this increase?**

A. We do have alternate rate programs/structures that may be able to help. If you are interested in finding out more, feel free to email [cec-rates@capitalelec.com](mailto:cec-rates@capitalelec.com) or call our office at 701-223-1513. Our billing and energy services staff will be happy to help you to determine what may work in your situation.

### **Q. Do you expect this increase to be sufficient for the next 7 years, like the 2016 increase?**

A. This is tough to answer given the rate of change we are experiencing at the present time. It is also likely that future rate changes may also be coupled with structural rate changes. In some cases, the structural rate change can offset an overall rate increase, while in others it can result in more of a rate increase. See the next question for more details on the rate structure changes.

### **Q. Why is the rate structure changing now? Haven't you been adjusting the rates in prior years already?**

A. Our rate structure has needed significant changes for years. However, because of the magnitude of the necessary changes, the board and management felt it was best to feather these changes in gradually to allow the members to adjust and pursue any other rate opportunities along the way. In the end, we hope to have four rate components that relate very closely with the four cost categories. We believe this will create the greatest level of equity amongst members and provide

the greatest degree of opportunity for the members to control their bills using other rate strategies.

**Q. What is Capital Electric doing to decrease costs?**

A. Our Board of Directors reviews a detailed budget each year. We attempt to trim costs where we can, but we are mindful of any impacts to reliability. The largest amounts we invest each year are related to the distribution grid. Infrastructure projects are evaluated carefully, but most have been deemed necessary to date. Unfortunately, cost pressures are evident on these projects as well.

**Q. Does the purchase of the new headquarters building add to the rate increase?**

A. We were initially hopeful that the impact of our recent real estate transactions would be negligible, as it relates to rates. However, the commercial real estate market has changed significantly since we purchased the new headquarters (February 2020, pre-COVID). We have been able to sell part of our existing real estate while other portions, such as our previous headquarters building on State Street, remain for sale. Until those assets are liquidated, we won't have an exact picture of the impact on the rates. Our current projections suggest that the new headquarters purchase is resulting in a rate increase of between \$1.00 and \$1.50 per meter per month. Hopefully, the location and nature of the new facility will mean we can utilize it for 50 years as we have the previous headquarters building.