

Unbundling your electric bill: Distribution

Your new unbundled bill will make it easier to see where your electric dollar is going.

As I have been discussing with you the last few months, we are getting ready for a big change in how your bill looks. This unbundling will coincide with a slight restructuring of your electric rates and will take effect with the bill you receive at the end of April.

I want to go through the components of the unbundled bill to give you a better understanding of why we charge what we do. This month, I'll discuss **distribution** charges. Next month, I'll go over **electric supply**.

The distribution portion of your monthly bill will recover the costs we incur in providing you access to the electric system. These costs include: facilities; poles; wires; transformers; substations; vehicles; equipment maintenance; and other equipment and systems that helps us maintain a safe and reliable distribution system. Also included are operating margins, metering, accounting, billing, member services, administrative and operations personnel.

Currently, we have a facility charge that covers a portion of these costs, and the rest is included in your bundled energy cost. With your new bills, we will replace the facility charge with a base charge and delivery charges that will allow us to keep the distribution costs separate from the electric supply portion.

This updated rate structure will better reflect how your monthly bill matches up with our costs to give you a better understanding of how your electric dollars are spent to continue providing you with safe and reliable electricity.

Our current facility charge for member/owners on our basic residential rate is \$26.15 per month. Again, this number only covers a portion of our actual fixed costs. We recently brought in a rate consultant to perform a cost of service study for our system. That study indicated that our actual fixed costs are about \$70 per month for a residential home!

We certainly did not feel comfortable raising your facility charge (soon to be called a base charge) that much, but we also knew we needed to move it closer to the actual cost. The new base charge for our residential general service rate will be \$40 per month. **It is important to remember that while the base charge is going up, your per kilowatt hour charges are going down.** The average net impact for a residential member/owner is less than a five percent increase.

Let's take a look at WHY the cost of service study put the fixed costs where they are:

One of the biggest issues we face in providing you with that safe and reliable electricity - at the exact moment you want - is our density.

Density refers to the number of consumers (we think of you as member/owners, because that is what you are) that an electric company has, divided by the actual miles of electric lines that they have built and maintain on a regular basis to provide service to all of its' consumers - or member/owners.

While investor owned utilities (IOUs, Ameren Illinois in our area) average about 34 consumers per mile of line, Eastern Illini averages only three member/owners per mile of line.

Today, one mile of overhead electric line costs around \$28,000 to build. Underground is twice that. We have about 4,500 miles of line throughout our service territory. **That's enough electric line to stretch from Paxton to Washington, D.C. and back, three and a half times!**

Keep in mind that the cost of actually building our electric system is just one piece of the puzzle. Every day our employees are working hard to maintain our electric system so that whenever you flip a switch, the lights come on. **In fact, we spend about \$4 million per year in system upgrades.**

There are plenty of other costs, as well. A bucket truck costs up to \$239,000. We currently have 20 trucks in service. There are also costs associated with trimming trees, maintaining our 25 substations, calculating and sending your bills each month, and the list goes on and on. It really is amazing how many aspects go into providing you with safe and reliable electric service.

I hope this information helps explain our delivery component. Don't forget to read my message next month as I explain the components that will make up the power supply portion of your unbundled electric bills. Also, please plan on attending one of our upcoming member meetings (visit www.eiec.coop for the schedule).

Sincerely,

Dave Champion



**MESSAGE FROM
THE PRESIDENT**