



# Rate Trends for Minnesota Electric Cooperatives

**Jim Horan**

**Director of Government Affairs and Counsel**

**Minnesota Rural Electric Association**

# At-Cost Service Providers

- ✦ Private, independent, **non-profit** electric utilities.
- ✦ Owned by the members they serve.
- ✦ Established to provide **at-cost** electric service.
- ✦ Governed by a board of directors elected from the membership which sets policies, procedures, and rates that are implemented by the co-op's management.



# Distribution Co-op Rate Setting

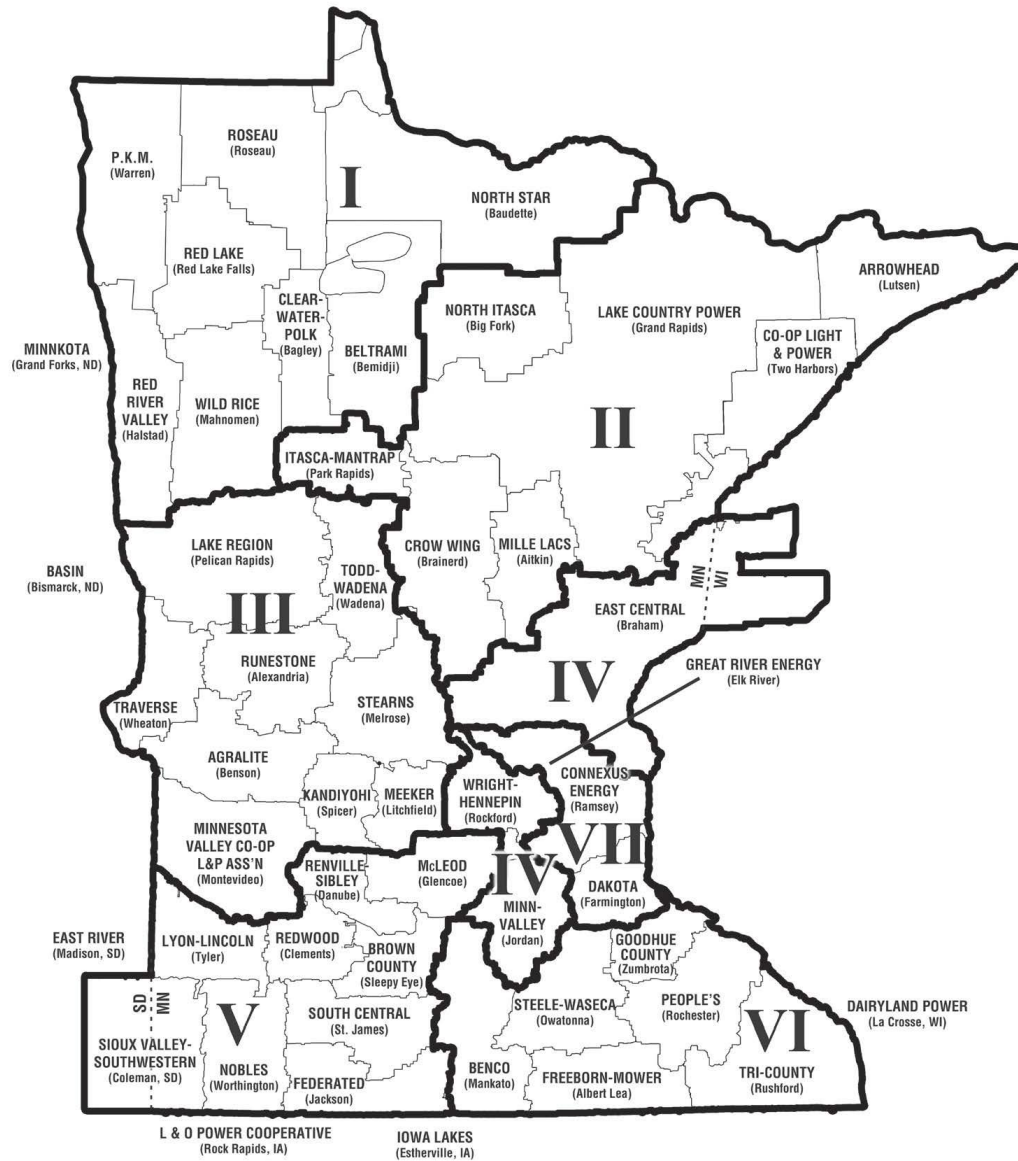
- ✦ Reflect the unique needs of each Cooperative
- ✦ Rates are based on the results of a rate study:
  - ✦ Determine Revenue Requirement
  - ✦ Conduct Cost of Service Study
  - ✦ Rate Design
  - ✦ Approved by Board of Directors



# Factors Influencing Retail Rates

- ✦ Members Per Mile of Line
- ✦ Membership Base
- ✦ Unique Community Needs
- ✦ G&T or Power Costs
- ✦ Flat or Declining Load Growth





**85% of the surface area of the state**

**18% of the total kWh sales**

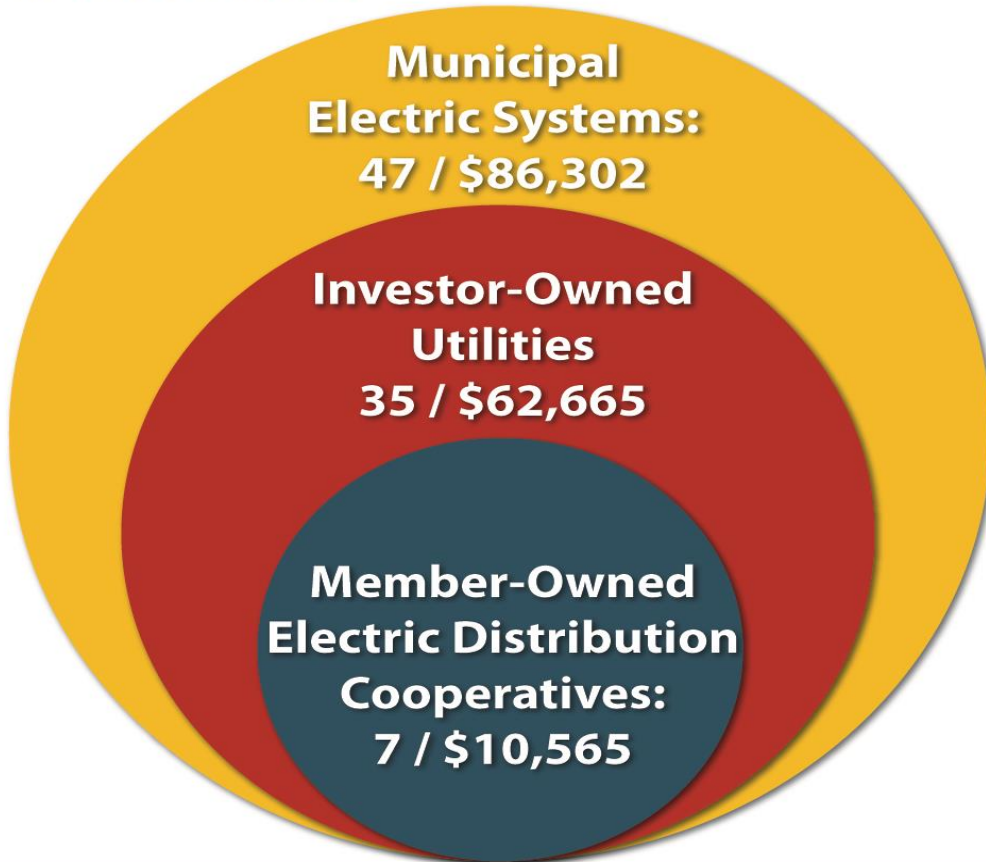


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# Revenue in Review

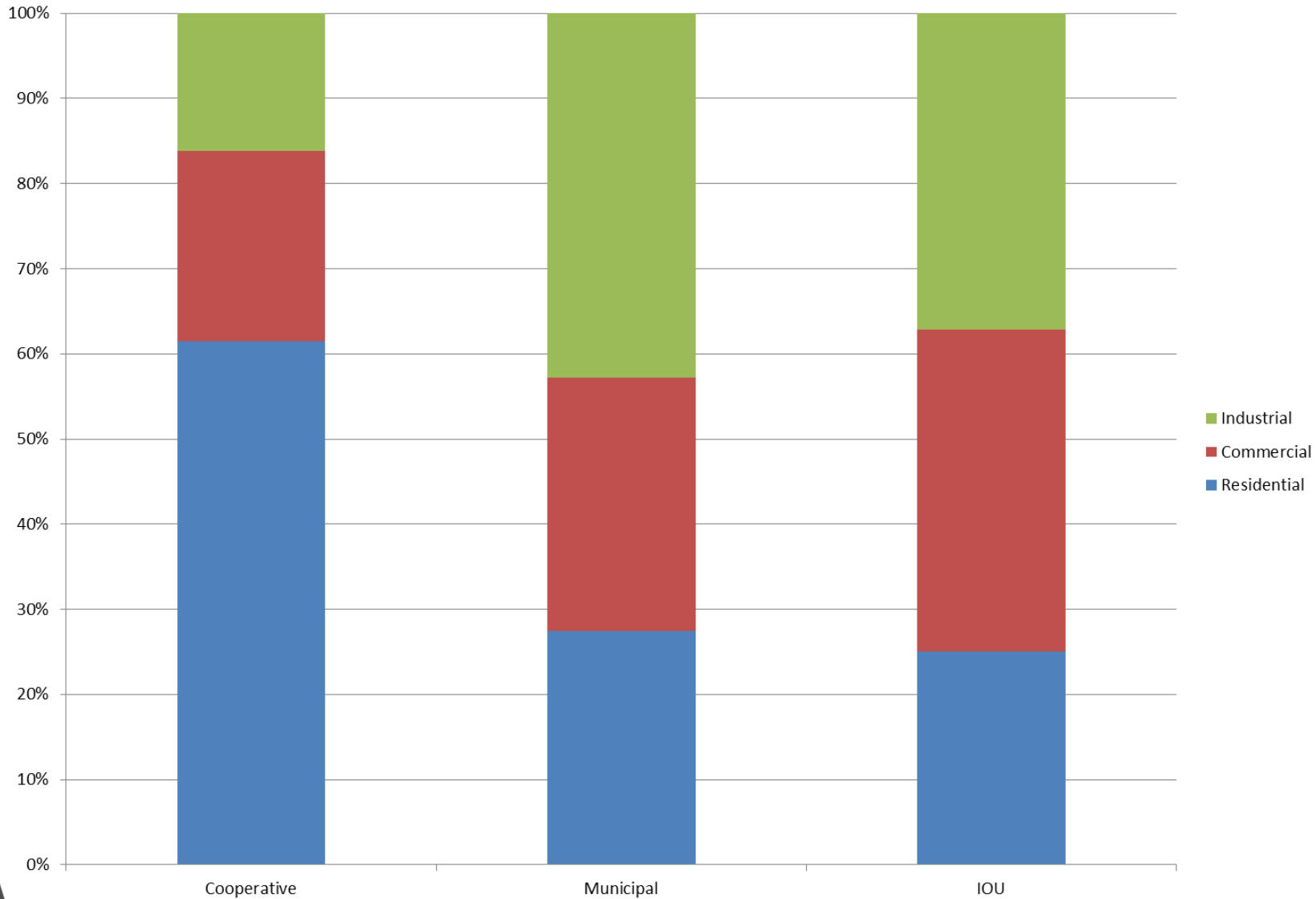
Because of higher population densities (more consumers served per mile of line), municipal electric systems and investor-owned utilities receive more revenue per mile of line than electric cooperatives.

*Consumers served/revenue per mile of line for different utilities:*



- ✦ **MN Co-ops**
  - ✦ 6 mem/ml
  - ✦ 121,000 miles of distribution lines
- ✦ **MN IOUs**
  - ✦ 38 cust/ml
  - ✦ 70,000 combined miles of line
- ✦ **MN Municipals**
  - ✦ 48 cust/ml

# 2013 % of Retail Sales in Minnesota



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# Membership Make-up

- ✦ Our membership base is 95% residential and 5% commercial/industrial.
- ✦ That 5% commercial/industrial base represents 40% of co-op energy sales.
- ✦ 79% of co-op members have a per capita income below the state average.





# Membership Priorities

- ✦ We regularly survey our members:
  - ✦ **3 top priorities:**
    - ✦ *Rates*
    - ✦ *Reliability*
    - ✦ *Service*



# Factors influencing G&T rates

- ✦ Fuel Costs
- ✦ Infrastructure
- ✦ Renewable Energy Standard
- ✦ Environmental Compliance
- ✦ Potentially Multiple Power Providers



# Flat or Declining Electricity Sales for Minnesota Electric Cooperatives

- ✦ Member cooperatives continue to see flat or even declining electricity sales. This is the result of numerous factors:
  - ✦ Population decline in many rural areas
  - ✦ Loss of commercial and industrial members in rural areas
  - ✦ Fuel switching
  - ✦ Natural Energy Efficiency
  - ✦ Utility Energy Efficiency





# Questions

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