

## October Manager's EC Article

### 2010 Rate Increase

I will presume that the headline got your attention. Yes, it is true that a rate increase is needed next year and is planned to take effect with the May 2010 bill. I assure you that I am not enjoying writing this column any more than you are enjoying reading it.

The last general rate increase for our local operations took effect with the May 2007 bill. The other quarterly increases in the Wholesale Power Cost Tracker since that time only recovers the additional costs we have experienced in our wholesale power bill and do not cover any of the increases we have in our local costs.

Originally, the budgeted operating margins for this year were very small and your Board of Directors had a lot of discussion about the possibility of a rate increase in 2009. An increase was not implemented based on the severe economic recession that we experienced. Then our energy sales in both the industrial and residential segments suffered a larger decrease than we projected. We have cut or deferred \$270,000 of our local operating expenses this year to offset part of the losses due to the decreased energy sales. The deferred items will need to be completed over the next several years to avoid a decrease in our service reliability for you. Even with the reduced operating costs, this year will be the first year since 1976 that we will end with a negative operating margin. While we hope and expect to regain some of the decreased energy sales in 2010, unfortunately, it will not be enough to put off the rate increase any longer.

We are working on a Cost of Service Study with our rate consultant and hope to have the magnitude of the rate increase and the proposed new rates within the next month or so. We will keep you informed as we develop the new rates.