



## Marias River Electric Cooperative Members

Marias River Electric Cooperative will be implementing a rate increase effective September 1, 2022. The Board of Directors and staff do not take this rate increase lightly and has done everything possible to minimize its impact on you, the member-owners. However, to continue providing reliable, high-quality service, MREC must implement this increase to the base rate for each rate class.

The increase will take effect September 1, 2022 and is an additional \$10.00 per month for all members in each rate class.

Each year, MREC staff members and board of directors assess many factors while reviewing the cooperative's financial position and future direction. During the evaluations of 2021 and 2022, it became clear there was need for a rate increase. Our last rate adjustment was 5 years ago in 2018.

When considering a rate change, the board and staff look at both the base rate and the use charge. Currently, less than 20 percent of MREC's fixed costs are collected through the base rate. However, up to 70% of the cooperative's overall costs are fixed. For this reason, it made the most sense to increase the base rate and not the kilowatt hour charge.

On average, Marias River Electric purchases 65% of its power from Western Area Power Administration federal hydro projects. The cost of this carbon-free power will be increasing in 2023 and possible 2024. Over the past three years, our cost to provide service to you has increase substantially (fuel, material, shipping costs, postage), and so much more. We have done our best to absorb these costs, unfortunately we cannot continue.

Safety, reliability, and affordability remain the main focus of your board and staff at MREC. We are a not-for-profit, member-owned cooperative and strive every day to hold down costs while still providing the safe, reliable, quality service you expect.

Although this increase is necessary, Marias River Electric Cooperative rates are well below both the state and national average among electric cooperatives. If you have any questions, please call our office at 406-434-5575 and one of our office staff would be happy to answer your questions/concerns.

Cooperatively yours,

Kris Ingenthron, General Manager

# A Simple Look at Fixed Costs and use Costs and How They Impact Us

## Fixed Cost Analogy...



Whether a complex electric distribution system or a passenger car used for transportation, there are fixed costs for having both in place and available for use at any time. Substations, trucks, poles, wires, transformers, meters, etc. (the MREC's property) and personnel are referred to as "plant." MRE finances its plant over 15 to 30 years and must make monthly payments whether or not a single kilowatt hour is sold. These are "fixed costs."

Generally, vehicles (your property, or "plant") are financed over extended periods of time like MREC's plant. Monthly payments must be made to the lending institution whether or not the car is driven a single mile. Your monthly car payment is a "fixed cost," just like the co-op's fixed costs.

## Then There's The Use Costs...



TVs, computers, ovens, microwaves, electric heat, lights, refrigeration, air conditioning ... they all add up! The base charge pays for the co-op's infrastructure (fixed costs) so you can have electricity at your home 24/7, whether you use any or not. Your appliances then use energy (kilowatt-hours) that are delivered to your home over MREC's electric system. You are charged for the kWhs your appliances use and will see this charge on your electric bill.



Maintenance, fuel, oil, repair bills, tires, insurance ... they all add up! Similarly, your car payment provides you with a vehicle (infrastructure) so you can come and go 24/7, if you choose. When you elect to use your car, the other costs begin to increase, adding to your total car expenses for the month. Simply put, the more you drive, the higher your monthly car expense—just like your electric bill. It is the same principle.