

You asked.

We're answering.

This is the third in a series of responses to concerns expressed by members.

Member comment:
"You need to lower the monthly service charge; it's four times the price of your competitor."

Our response: Our Base Monthly Charge for residential/farm service is \$25.25 per month, about three times the amount charged by Xcel Energy.

continued next page

The \$25.25 monthly charge is the lowest of the amounts charged by five other electric cooperatives in the surrounding area and near the bottom of the monthly charges of all cooperatives in Wisconsin.

There are several major reasons why the monthly service charge for electric cooperatives, including St. Croix Electric, is higher than the amount charged by Xcel Energy.

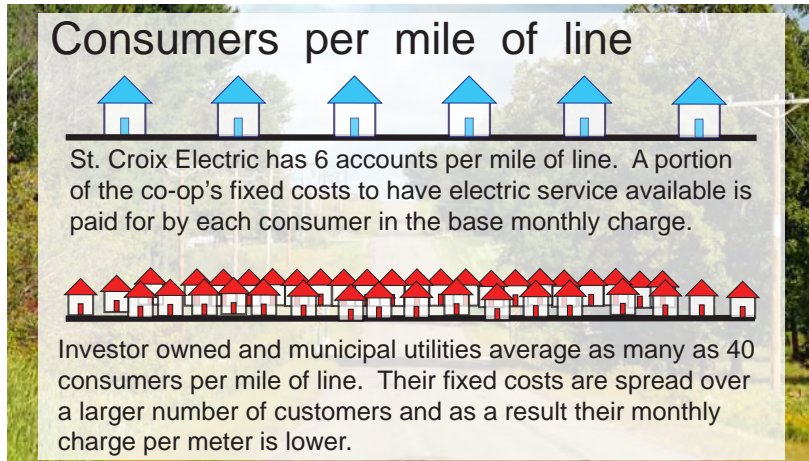
1. Our service area only includes the lower populated rural areas outside of villages and cities. As a result we serve an average of only six customers per mile of installed power line. This is in contrast to Xcel Energy and other multi-state electric utilities averaging about 40 customers per mile of line.

2. With a relatively low number of customers per mile of line our annual revenue per mile of line is also low. As a result, the fixed costs of power line construction, maintenance, depreciation and interest are being paid by a smaller number of customers per mile of line than Xcel Energy so our charge per customer is higher. The Base Monthly Charge for 6 customers for an entire year totals \$1,818. Today's cost to build or replace a mile of power line for these six customers is \$45,000. The \$25.25 Base Monthly Charge doesn't go very far to pay the actual costs just to have service available in front of your home.

3. Less than 15 percent of our energy sales each year come from commercial or industrial accounts. Without the high volume energy using accounts to absorb more of the basic power delivery infrastructure costs for equipment such as substations, these costs are paid by all of the other rate classes including residential accounts, many using only an average of 750 kilowatt-hours per month. Last year we put our 16th substation in service in the Town of Richmond. The cost of this substation was \$1million.

If the \$25.25 Base Monthly Charge seems high, you may be surprised to know the actual investment we have per meter served. The most recent Cost of Service and Rate Study showed the actual cost to have service available for every meter paying the \$25.25 monthly charge is \$34.12 per month. This amount includes the cost of the power line, meter, transformer, interest and depreciation expense for these items. So regardless if a customer uses any electricity during the month, the co-op's cost for the equipment to serve the account is \$34. Our internal costs to prepare a

continued on back



bill and have the staff and equipment to respond to outages, provide customer service and other business transactions including costs for taxes and insurance adds another \$9.28 per customer per month expense.

Because we don't collect all of our fixed costs in the Base Monthly Charge we add these costs to our per kilowatt-hour kWh charge. We have 10 percent of our accounts who use less than 300 kilowatt-hours per month. These accounts include billboards, pumps, traffic signals, etc. If we lowered our Base Monthly Charge to say \$10 then we would have to recover the lost revenue in a higher kWh charge for everyone and the low users would avoid paying their fair share of the fixed costs a second time.

When comparing our summer rates for a customer using 1,000 kWhs including the Base Monthly Charge with the charges paid by an Xcel Wisconsin customer for the same usage, the Xcel customer pays a total of \$18.11 less and \$17.25 of this is due to their lower monthly charge.

Regardless of how efficient and cost conscious the cooperative's operations are year in and year out, we will never be able to erase the higher operating costs and investment we have per customer in the rural area compared with the utilities serving more customers in larger cities.



715-796-7000 800-924-3407

www.scecn.net