

# AVAILABILITY CHARGE

An availability charge is a monthly charge that Grand Electric Cooperative, Inc. members pay to help cover the basic cost of bringing electricity to your location. It covers expenses the Cooperative incurs regardless of how much electricity is sold each month. The availability charge covers expenses such as: trucks, wire, transformers, and power poles needed to build and maintain the electric distribution system; labor to build and maintain the lines; cost of insurance, interest, and taxes. Because all cooperative members benefit from having reliable electric service available when they need it, the availability charge ensures that everyone pays their fair share of the basic costs. Like most utilities, Grand Electric Co-Op has one availability charge per meter that we collect from our residential, seasonal and commercial consumers.

Beginning **April 1st** Grand Electric will be raising the availability charge by \$10 per meter, per month on all residential and seasonal accounts (excluding heat meters). Small commercial accounts and meters on a three-phase system will increase by \$24 per meter. This increase is necessary for us to recover our costs to maintain services to each meter.

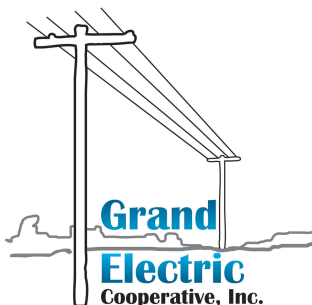
A common question is, why do some consumer classes pay a different facility charge than others? The answer is that required facilities tend to differ among different consumer classes. In higher density urban areas, accounts require less distribution line per account, and they are typically served with multiple accounts per transformer. For this reason, urban accounts require a lower monthly facility charge than rural accounts. Commercial accounts require large transformers, more expensive metering, and often require three-phase service and specialized equipment. For these reasons, commercial accounts require a higher monthly facility charge than residential accounts.

You might ask why Grand Electric's availability charge is higher than in other places, especially big cities. This is because of our low consumer density; Grand Electric serves an average of seven customers per mile of line. Compare this to a city where the average density is easily more than 30 customers per mile of line. It is always more economical to serve areas of higher density. However, for customers with average usage, (1,000 kwh per month) GEC's rates are consistently among the lowest in the Midwest, including metropolitan areas. Grand Electric serves a diverse membership. Some of our members use a lot of electricity all year long, and some may use electricity only one or two months per year. Whether you use a lot or a little, the cost for us to provide electric power to your meter remains the same. And that is why your electric bill has two separate charges: the availability charge to cover basic costs, and the per kwh charge for the actual amount of electricity consumed.

Following this rate increase, a member might ask why his facility charge increased when nothing changed at his account. The answer is that the facility charge is an average of the cost to provide facilities for all consumers, and it covers the cost of owning, maintaining, and supporting these facilities. The total of these fixed costs does in fact increase every year, and this component of our rate needs to be periodically adjusted.

As you can see, it is our responsibility to not only have a facility charge in our rate structure, but to do the best we can to ensure it is designed to be fair and equitable among the different rate classes.

We hope this brief explanation helps answer your questions about the availability charge portion of your electric bill. Please call us if you have any billing questions.



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