



A Touchstone Energy® Cooperative 

East-Central Iowa Rural Electric Cooperative

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Dear Member,

We'd like to update you on how your East-Central Iowa REC board of directors has been working hard to structure co-op electric rates and facility charges to better reflect the actual costs you incur each month. Throughout much of 2014, your cooperative's board and management team reviewed the results of a Rate and Cost of Service Study which was conducted by a third-party engineering firm. The study evaluated East-Central Iowa's revenue requirements and rate structure (the methods by which the co-op collects revenue to provide safe, reliable electricity). By definition, the fixed Facility Charge should cover the costs associated with distributing electricity (infrastructure, poles, wires, etc.), but the study revealed that our current Facility Charge was only recovering 40% of the actual fixed costs for most member-owners.

At the July 2014 East-Central Iowa REC board meeting, your board approved measures to implement electric rate modifications that better align with the strategic objectives of the co-op and correlate with the rate structure that is used by East-Central Iowa's power supplier, Central Iowa Power Cooperative (CIPCO). The board-approved rate modifications will include an increased Facility Charge, which will recover 75% of the fixed costs (including electric distribution infrastructure and the cost to maintain a safe, reliable grid), and a decreased Energy Charge, which will be a lower kWh rate for the amount of electricity you use each billing period. **It's important to note that this is a revenue neutral rate modification, not a rate increase.** East-Central Iowa REC expects to receive the same amount of revenue each month, but it will come from different sections of the bill to more accurately reflect the actual costs incurred.

Effective on your May statement for April usage, your new monthly Facility Charge will be in effect, as well as your reduced Energy Charge per kWh for the first 1,000 kWh.

By moving to a more accurate rate structure, East-Central Iowa REC hopes to achieve several objectives that will position your not-for-profit cooperative for a sustainable future:

- Move toward a Facility Charge that more accurately accounts for the fixed costs associated with maintaining a safe and reliable electric distribution system.
- Allocate costs amongst all co-op member-owners as equitably as possible.
- Minimize subsidies within rate classes.

We're committed to answering your questions or concerns regarding the rate structure change. Please contact East-Central Iowa's Consumer Service Team at 1-877-850-4343 during normal business hours. They can provide details about how the rate change can affect your bill based on your electric use in 2014. You can also access an online rate structure calculator at www.ecirec.coop by clicking on "Your Electric Bill", then choosing "Understand Your Bill". Please don't hesitate to contact us; we're here first and foremost to serve our member-owners. That's the cooperative difference.

Sincerely,

Steven Marlow, CEO

Energy Wise, Community Connected