

UNDERSTANDING UTILITY COSTS AND CHARGES

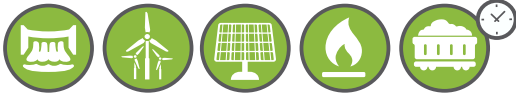
Your monthly electric bill covers not only the cost to generate the energy you use, but also supports the cost of the distribution and transmission grid that delivers that energy, the capacity to provide power when needed, and the monthly fixed costs to provide metering and member services.

For utilities like United Power, our cost to serve you is driven by the following components:

ENERGY GENERATION COSTS



GENERATION CAPACITY COSTS



TRANSMISSION CAPACITY COSTS



DISTRIBUTION COSTS



FIXED (MEMBER) COSTS



Providing reliable power not only requires generation of the energy you need, but careful planning to ensure the appropriate generating capacity is available and that a well-maintained transmission and distribution system is ready to deliver the maximum possible demand at any given moment.

Each step in the process to deliver your power comes at a cost, and utilities must carefully structure fair and equitable rates that recover the costs that ensure a reliable grid can deliver the energy that is needed.

There's great value in the certainty that if every United Power member turned on all their appliances at once, we would have the capacity to meet those energy needs. Whether you use a lot of energy, or just a little, we all need the grid to be there—and each member should pay their fair share to ensure that it is.

UTILITY COST COMPONENTS

ENERGY GENERATION COSTS



These are the costs that are completely dependent on the energy that is used. A utility considers this portion of the rate structure as variable. If you don't use any energy, you would incur none of these variable costs. These costs are usually associated with the fuel that runs the generator that makes the electricity. This cost is not time differentiated.

GENERATION CAPACITY COSTS



The capacity cost related to generation covers the operation and maintenance of energy resources such as the natural gas, solar, hydro, wind and coal power plants used to produce energy purchased by United Power. This cost is time differentiated and billed via a peak demand charge by our wholesale provider, Tri-State G & T.

TRANSMISSION CAPACITY COSTS



The transmission system delivers electric power to United Power's distribution system. These costs cover the operation and maintenance of the high voltage transmission lines, transformers, substations and communication sites. This cost is time differentiated and billed to United Power via a Peak Demand Charge by our wholesale provider, Tri-State G & T.

DISTRIBUTION COSTS



The distribution system provides all members with the ability to use electricity in their homes and businesses in any capacity they need at any given point in time. The distribution system is sized to meet the maximum demand needs of all of our members. The investment to build, operate and maintain the distribution system is a fixed cost that includes power lines, transformers, substations and overall facilities. This cost is not time differentiated.

FIXED (MEMBER) COSTS

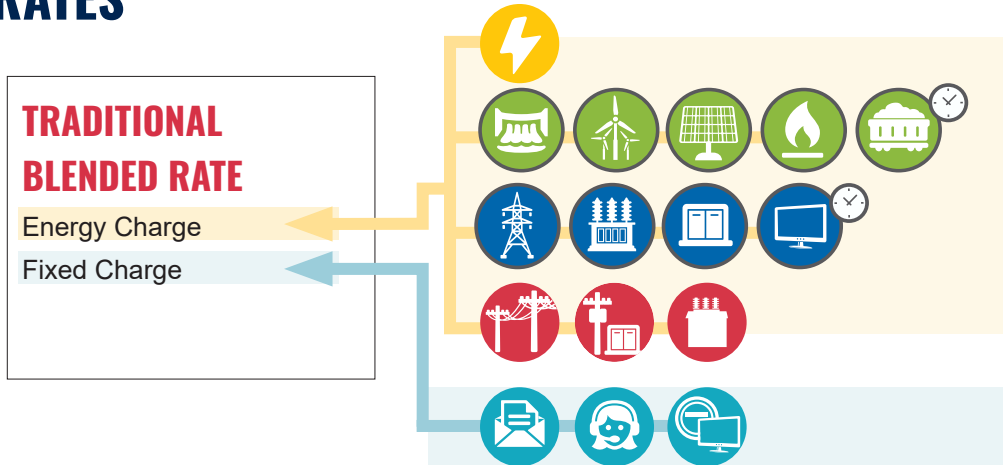


Fixed (Member) costs are seen on your bill as the "Fixed Charge." This cost does not fluctuate with individual demand or energy needs. This covers the cost of providing member services, billing, collections, metering communications networks and data management systems. This cost is not time differentiated.

THE CASE FOR DEMAND RATES

The “Energy Charge” has traditionally blended generation, transmission, distribution and energy costs into one rate where all members paid their share based on the amount of energy consumed (kWh). But no two members use energy in the same way.

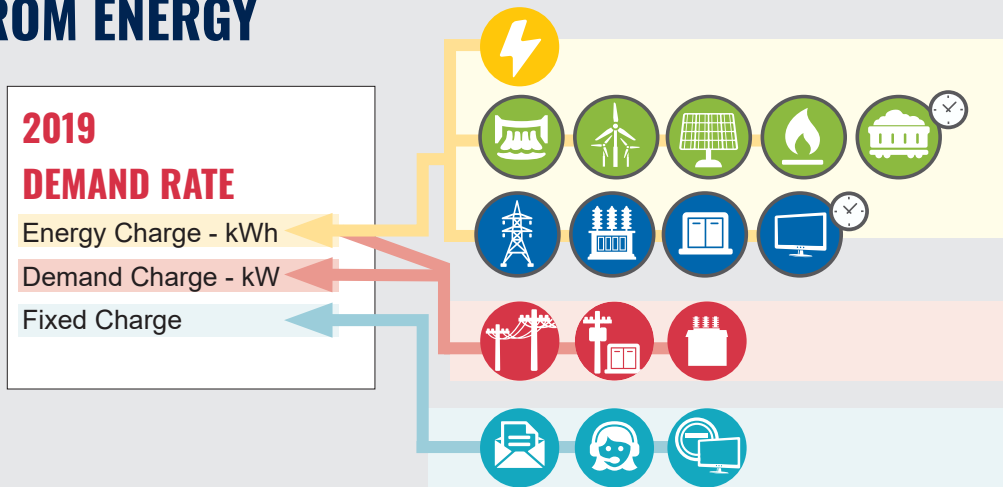
Some members may be paying less than their actual impact and others are paying more than they should—even when they are doing all the right things to keep their costs lower. When considering solar net-metered customers or meters that have very little energy usage billed, the utility may not be collecting enough to cover their overall costs.



SEPARATING DEMAND FROM ENERGY

With advancements in metering, United Power can more precisely determine how individual households use energy and their impact on the utility system.

The new rate structure partially unbundles the “Energy Charge” into a lower charge for the energy you consume, and the balance of your bill is based upon the total maximum power you needed at a single point—or the demand you placed on the system. This ensures that the costs to operate and maintain the system are allocated more fairly among all members.



ALLOCATING COSTS MORE FAIRLY

We’ve begun a phase-in approach toward a rate structure that more precisely allocates these charges to the true cost of service. In 2019, we began offering a fully unbundled residential rate—we call it the Smart Choice Rate. The rate aligns each aspect of a member’s energy usage to the appropriate component of the utility’s costs and it also gives members more ways to control their electric bills.

The gradual transition to this rate structure will continue to unbundle demand charges from the blended energy rate, resulting in a corresponding reduction in the energy charge.

