MTE Residential Rate Adjustment Questions & Answers

October 1, 2023

What does this rate adjustment mean?

The Tennessee Valley Authority (TVA) and MTE are adjusting the energy-charge portion of rates upward on Oct. 1. This means our costs have caught up with our ability to pay for them. Historically, we only adjust our rates upward when we have exhausted other reasonable options, and that's where we are.

How much is the increase?

With the adjustment, your residential rate will be higher than it was last month but actually lower than it was last October. The rate will be about 9.97 cents per kWh. In September, it was about 9.07 cents per kWh. More than half of this increase comes from Tennessee Valley Authority (TVA) rate adjustments. The rest comes from MTE rate adjustments. In case you didn't know, our cooperative purchases virtually all our power from TVA, and about 80 cents of every dollar we take in goes to TVA.

How is the rate lower than last October, even after this new adjustment?

The rate is lower than it was last October when it was 10.05 cents per kWh. Last year, TVA's fuel costs rose. Spurred by global pressures, including the Russia-Ukraine conflict, the natural gas market was characterized by higher prices last year. TVA and virtually all the large power providers in the nation use lots of natural gas to generate electricity, and those costs resulted in increased charges from TVA last year. These increases peaked last summer, but they have been moderating since.

Has the Basic Service charge also changed?

Yes, you will notice a six-cent difference in your residential basic service charge, which is a direct function of the TVA rate adjustments. Because the TVA Act gives preference to residential consumers, TVA has long included a "hydro credit" to reduce our basic service charge for our residential members. The credit is designed to pass along the cost savings from hydro generation to electric costs incurred for domestic purposes. As part of its rate actions, TVA slightly reduced the amount of this hydro credit, and that's the sole reason for the six-cent difference.

Why are these changes being made?

While there are a few reasons, the bottom line is inflation. The costs to operate, maintain, build and improve electric infrastructure have dramatically increased. Essentially, what cost us a dollar three years ago costs us two dollars today. Poles, wire, transformers and substations have about doubled in price since 2020, and because of continuing supply-chain constraints for these critical materials, we do not see prices moderating.

Were it not for inflation, would MTE have raised rates?

Before the inflation of the past two-plus years (which was much higher than originally forecasted), MTE was not planning a rate increase through 2025. Even with planned investments in infrastructure, buildings, human resources and technology, MTE would today maintain that a rate increase would not have been necessary through 2025 were it not for the impacts of record inflation.

How will this impact bills?

It will depend on your usage. If your usage this month is the same as last October, you will have a slightly lower bill than last October. If your usage this month is the same as in September, your bill will be higher in October. If you factor that against usage of 1,000 kWh (about average for this time of year), it would mean about a $1 savings compared to last October but about $9 more compared to this past September.

When was the last time MTE had a rate increase to benefit its own revenues?

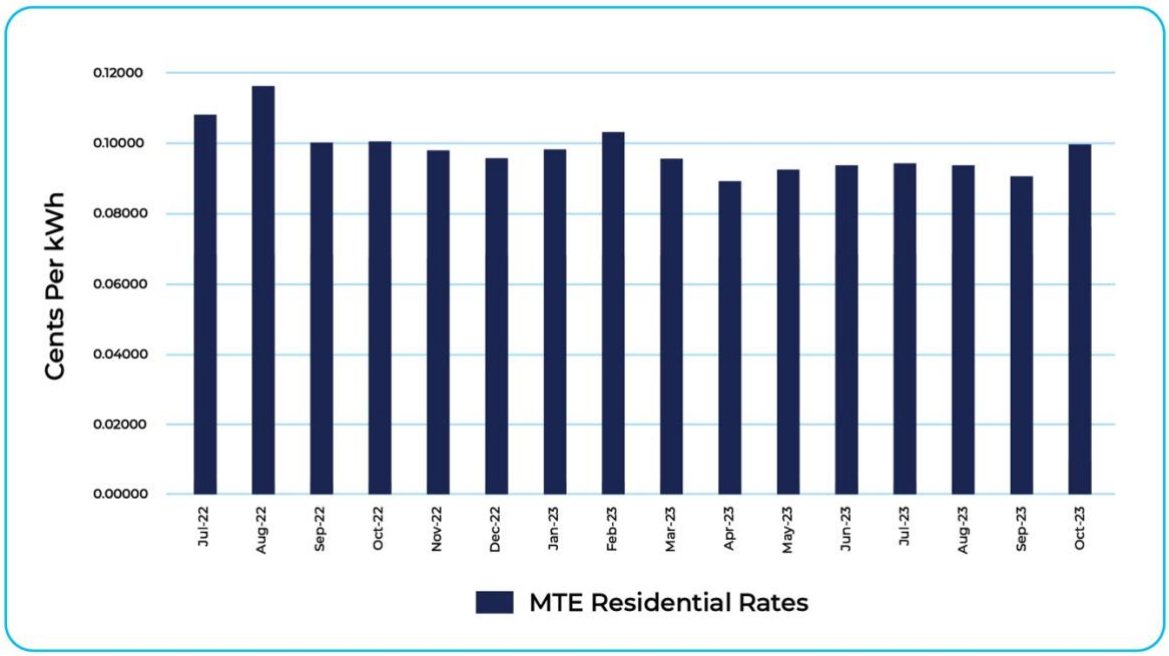
Fifteen years ago.

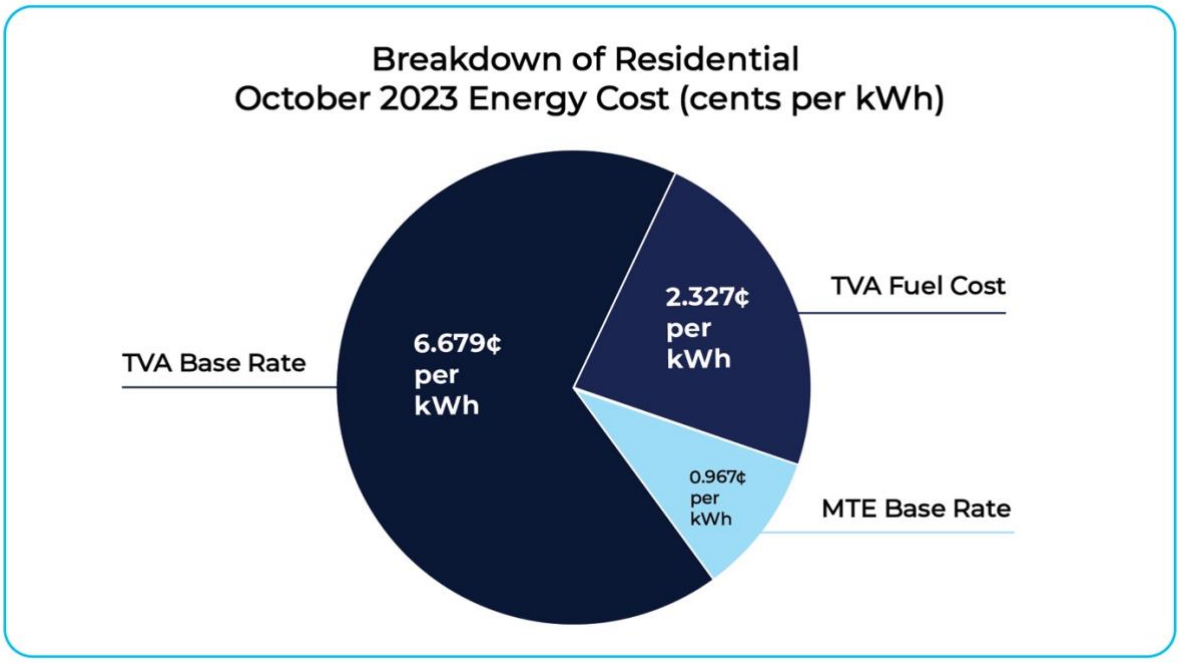
When was the last time TVA had a base rate increase?

Five years ago.

How often do rates change?

They actually change every month because of the TVA Fuel Cost Adjustment (FCA). The FCA is based on market changes in the fuels required to generate electricity, particularly natural gas and coal. The FCA also accounts for TVA's electricity purchases from other regional electric providers. Changes to the base rate, like TVA and MTE are making in October, are not as frequent. TVA's last base rate increase was five years ago, while MTE's last for its own benefit was 15 years ago.





How do MTE's rates compare nationally?

Our residential rates are at least 25% below the national average.

Are these cost pressures facing other utilities?

Yes, these challenges are being felt across the nation. Electric rates are going up around the country.

What is MTE doing to keep rates affordable?

As an electric cooperative, we exist solely to serve you. We're a not-for-profit organization that only charges what it costs to render service. We're motivated to keep rates as low as possible while balancing the high standards of service we know our members expect. We also understand this will have real impacts on families and businesses in our communities. We care about that because we're a cooperative, and it's just part of our fabric to do so, but we also care because the communities we serve are home to us, and our members are our neighbors.

How is MTE helping members manage costs?

MTE's myEnergyPlan. It's a way for you to choose an energy plan to fit your lifestyle. We would particularly encourage members to consider the Levelized Billing Plan. As we move into the winter months, this would be a great way for most members to take the spikes caused by extreme temperatures out of their bill.

For more information on myEnergyPlan, and all its options, and to sign up, please visit mte.com/myEnergyPlan.

MTE also offers great tools for managing your energy use and cost through our online portal and smartphone app, myMTE. The app has been enhanced to provide usage data, usage alerts and bill projections to help our members manage their usage and energy consumption.

For more information on myMTE and to sign up, please visit mte.com/myMTEAccount.

Are there other ways MTE can help?

We have resources devoted to helping members better understand their usage, make better consumption decisions and make their homes or businesses more efficient. From our myMTE app to our Energy Services Coordinators, we have services there for you.

To learn more, please visit mte.com/EnergyServices.