

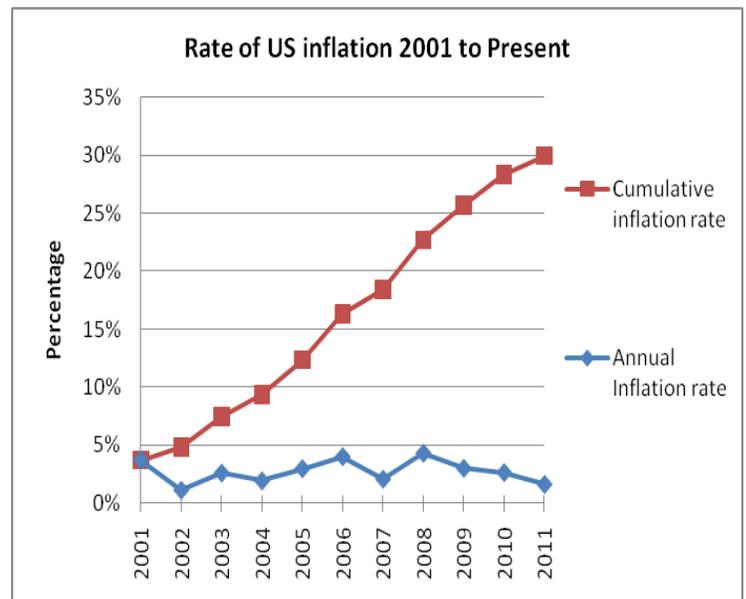
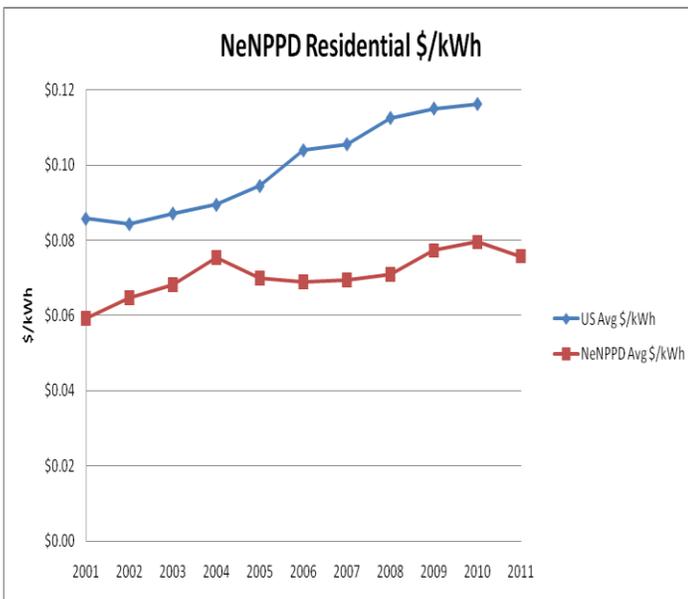
News from the Northeast Nebraska Public Power District

March 2011

What's going on with my electric bill?

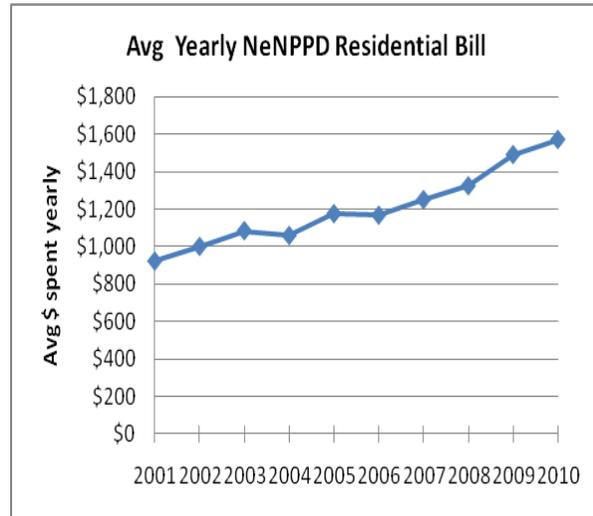
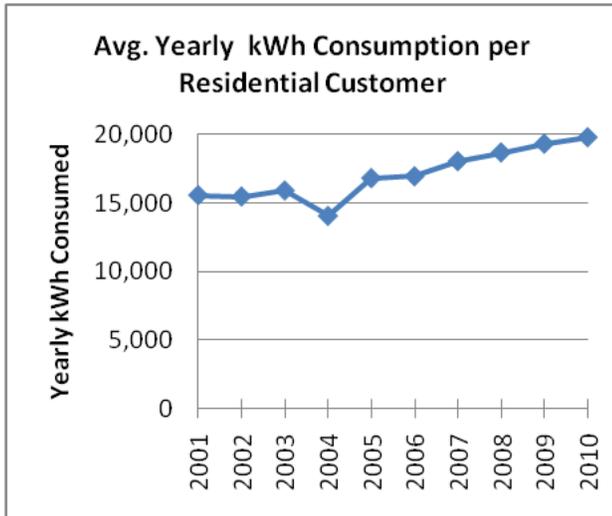
Actually there are several things that make up the total amount of a monthly bill. The two biggest factors that determine the amount of a bill are the number of kWh's used and the price per kWh. We want you to understand your bill and want to help you manage your energy costs in the future.

Has the price per kWh gone up? Yes, and recently it has gone up faster than it has in a long time. Our wholesale power supplier, Nebraska PPD actually makes the electricity used by our customers. The cost of producing electricity has increased with the cost of coal and fuels, the cost of equipment and materials. As noted in last month's newsletter, about 70% of every dollar we collect from our customers goes straight to NPPD to pay for wholesale power. Compared to our January 2010 bills, the cost of wholesale power for energy used in the winter months has increased by about 20%. This is why your bill may look so high compared to the same period last year. We also break out the cost of wholesale power on your bill to give you a means of seeing what it costs. However, over time, the finished retail price of a kWh hasn't gone up for residential customers as dramatically as the above statement suggests. Winter prices have jumped, but summer prices haven't and 2011 marks the first large price increase in years. The chart below-left depicts the retail price per kWh actually paid by our residential customers over the last 10 years. The price shown in \$ per kWh is the actual amount of all residential bills divided by the number of kWh's consumed by residential customers to give an average amount paid per kWh. Ten years ago in 2001 an average residential kWh costs 6¢ and today it costs 8¢, an increase of 25% over 10 years or 2.5% average increase per year. As can be seen in the chart below-right, that is less than the rate of inflation during the same time period. Adjusted for inflation (meaning the diminished purchasing power of the dollar) the cost of a kWh from NeNPPD is the same today as it was 10 years ago.



Please note that for four straight years between 2004 and 2008 NeNPPD did not raise retail rates to anyone. This means that we absorbed all of our cost increases and all of the wholesale power costs increases from NPPD. Even since 2009 our price increases have been modest. There are two reasons for the sharp increase in the \$/kWh between Jan/Feb of 2010 and Jan/Feb 2011: First, NPPD's increase for winter energy was 14% for 2011 and secondly, NeNPPD absorbed the 2010 winter wholesale power increase of 6.5% by not raising retail rates until May of 2010. This means that customers in Jan. 2011 began paying both the 2010 and 2011 wholesale power cost increases.

But the price isn't the whole story! Every year our customers are using more because they own more electrical gadgets that stay plugged in all of the time. Even a cell phone charger is using power without the phone if it is plugged in. The chart below shows that in 10 years time the average NeNPPD residential customer uses 25% more electricity per year, a full 4,000 kWh, more today than they did 10 years ago.



The combination of a 25% increase in energy consumption in the last decade and prices increasing by 25% due to inflation has compounded the amount spent by residential consumers by over 55% as shown in the graph above and to the right. NeNPPD's Board, management and employees have done everything possible to hold rates down, but there is only so much that can be done with the 30% of the money that we keep from our customers' bills. Average hourly wages for NeNPPD employees have increased at the 2.7% average rate of inflation during the decade but no more. Even so, we are not in control of most of our costs for poles, wires, fuel and equipment, nor can we put off maintaining and improving the electric system. Please refer to last month's newsletter about the future of electricity costs and the reasons why prices will start to increase faster than inflation in the future.

So my bill will keep going up! What can I do? We would suggest residential customers investigate our Time of Use (TOU) rate which lets residential customers make some choices about what they choose to pay for electricity by working with us to shift load away from peak hours. The savings may be modest in any one month, but we have noted that some customers are successfully saving a few hundred dollars in a year's time. Also, **use only what you need.** Get rid of the phantom loads in your house by unplugging most things that stay on, warmed up ready for use. Most appliances today, from coffee makers to televisions to computers are not really 'off' when turned off. To stop a 24 hour a day use, unplug anything you aren't using frequently. Go to www.nnppd.com and read about ways to save money on your electric bill by going to the links on the homepage for energy saving tips and home energy audits. The Touchstone Energy link has a savings calculator that will show you how much can be saved by lowering your thermostats to a specific temperature and more. With electricity it is a hard to understand what is being paid for and what is its real value. One kWh performs about the same amount of work as a human being in 8 hours of manual labor. Consuming 20,000 kWh in a year is like having 10 employees working 8 am til 5 pm. M-Friday and the cost is \$1,600 at NeNPPD prices. That's quite a bargain, but not if the energy is wasted.

Town Customers should note a new line item on bill for Gross Receipts Taxes. This is not a new tax and customers in towns (once served by NPPD) have always paid this tax as part of their electric bill. The tax is required by State Statute and the money goes to the County Government in which the energy is consumed. NeNPPD keeps none of this money. The tax rate is 5% of the energy charges. We are unbundling this charge from energy prices so that on the bill where we show energy costs compared to previous months the amounts show only the cost of energy. Again, if you do not live in a town or village, then this tax is not part of your electric bill. Also again, **this is not a new charge.** The only thing changed is showing the tax as a line item. Call our office if you have questions.