



## What is a Formulary Rate Plan?

With members as our top priority, Coles-Moultrie Electric Cooperative wants to ensure that we provide our members with reliable and affordable energy. We have taken many steps to insure both are provided to each and every one of our 9,500 members.

With our members' best interests in mind, the CMEC board has approved a Formulary Rate Plan (FRP). This FRP will help moderate rate changes. For example, instead of a cooperative implementing a sudden, double-digit increase in rates, an FRP would achieve the same increase more gradually. Rate changes would tend to correspond to changes in the cooperative's expenses. A FRP can reduce the cost of general rate cases, which are ultimately passed through to members. They also establish an annual process for the board of directors to thoroughly review a cooperative's financial condition. An FRP can remove disincentives a cooperative may have regarding social goals (e.g., energy efficiency or assistance to low-income households) to the extent that an FRP allows quicker compensation to the cooperative for any drop in sales that might occur.

According to CMEC President/CEO Mr. Kim Leftwich, the FRP—which also allows rates to decrease if costs go down—helps prevent large, infrequent rate increases in favor of smaller, more frequent adjustments. The FRP also requires the board to examine costs regularly (with an eye to keeping rates as low as possible) and helps ensure the financial stability of the cooperative.

“Our board and staff will look at the FRP on a yearly basis as part of the budget process,” Leftwich said. “We calculate it based on the known inputs of the past year and anticipated costs, but we also have the ability to raise or lower the rate based on the true costs of volatile inputs like transportation fuel, transformers, substations, wire, copper or labor. Ultimately, what it allows us to do is to meet our financial goals, which are set by policy, and meet our financial responsibilities as set out in our loan covenants. And our board feels they have even greater ability to watch and control the costs that set the rates.”