

Midwest Energy, Inc. Current Comments

August 2024

Making energy work for YOU

Challenges Emerging in Electric Rates Supply Chain Disruptions, Soaring Demand Increases Equipment Prices

Over the past eight years, Midwest Energy has held electric rates steady even as prices for many consumer products increased. In fact, average electric rates actually declined slightly thanks to affordable wind energy, low natural gas prices, and better business planning and cost management practices.

However, many of the components needed to keep the electric grid running have become much more expensive, putting pressure on rates going forward.

Supply Chain and Inflation Issues




After the pandemic, Americans experienced shortages of everyday items like toilet paper, socks, computers, and trucks. This happened because of supply chain disruptions and a lot of money flowing into the economy, leading to high inflation rates. People saw empty shelves and long waiting times for products they needed.

While consumer inflation is trending down, the prices of big items like poles, trucks, and transformers are still rising. For example, a 40-foot pole that cost \$262 in 2019 went up to \$475 by late 2023. Now, in the summer of 2024, that same pole costs \$631. Not only have prices increased, but the delivery times have also varied. In 2019, it took three weeks to get a pole delivered. By 2023, it took 12 weeks. Today, delivery times are now back to a more normal 4-6 weeks.

Why Are Prices Rising?

“There are two main reasons for the price increases,” said Tom Meis, Midwest Energy’s Chief Financial Officer. “First, the pandemic shutdowns caused an imbalance in supply chains, and that has taken a couple of years to work through the system. Second, trillions of dollars of federal money has been set aside to upgrade

Inflation and Availability

	2019	2023	2024
40' Pole 	Cost \$262 Delivery Time 3 weeks	Cost \$475 Delivery Time 12-16 weeks	Cost \$631 Delivery Time 4-6 weeks
25 kVA Pad-mount Transformer 	Cost \$1,870 Delivery Time 6-14 weeks	Cost \$8,712 Delivery Time 44-50 weeks	Cost \$11,892 Delivery Time 22-72 weeks
Freightliner/Altec Digger Truck 	Cost \$347,045 Delivery Time 24 weeks	Cost \$475,145 Delivery Time 60 weeks	Cost \$540,653 Delivery Time 75-80 weeks

infrastructure, increasing demand for materials like poles and transformers.”

“A lot of the equipment we use to keep the grid running smoothly needs to be updated or replaced. And because there is a high demand for these materials across the country, prices are going up,” Meis added.

Long-Term Projects and Costs

Midwest Energy has long-term plans to rebuild hundreds of miles of old transmission and distribution lines needed to get electricity to homes

Continued



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Rate Challenges

Continued and businesses. Transmission lines can cost up to \$1 million per mile to replace, and distribution lines can cost \$60,000 or more per mile. These are significant investments that will impact our budget for many years.

Keeping Rates Affordable

Despite these challenges, Midwest Energy is committed to keeping rates as low as possible.

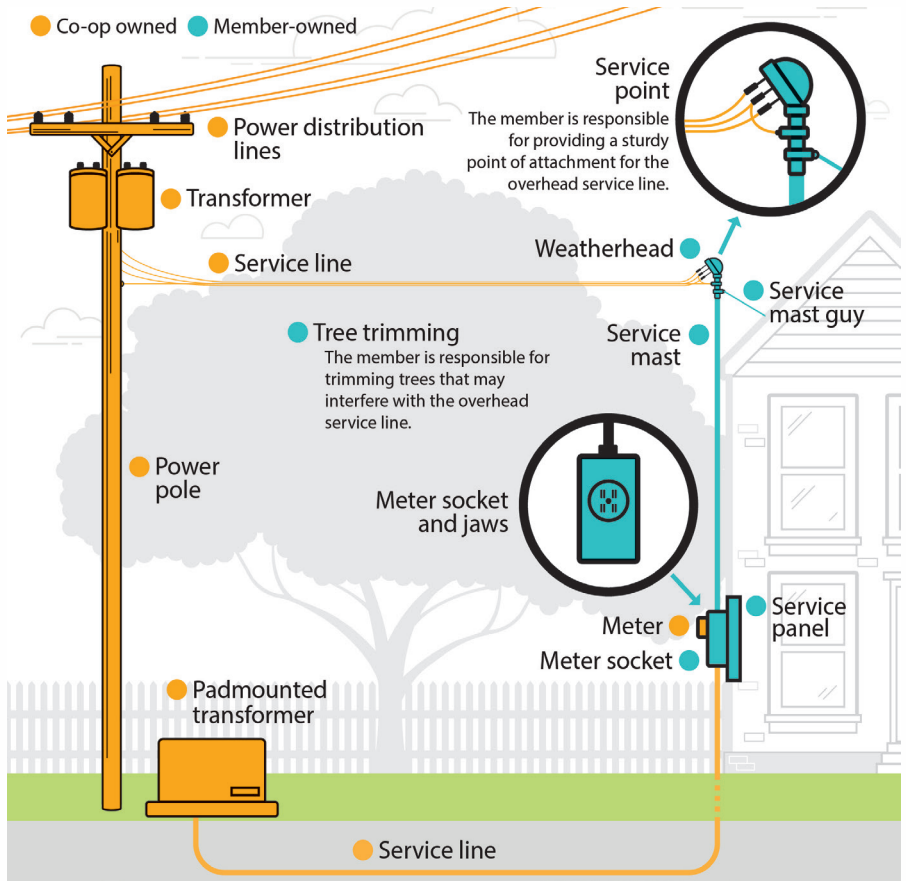
“We aim to keep rate increases at or below the rate of inflation,” Meis said. “We know we have higher costs ahead. We will use every strategy we can, including working with various suppliers and seeking federal grants, to manage future rate increases while maintaining reliability and affordability.”

Midwest Energy anticipates an electric rate case being necessary in coming years. More information will be forthcoming in future issues of *Current Comments*.

Who Owns It? Customer and Utility-Owned Equipment

When storms bring down equipment, questions often arise about who is responsible for fixing what. This graphic depicts equipment owned by Midwest (in gold) and the member (in blue).

If a storm damages any equipment owned by the co-op, we are responsible for repairs. If damages occur to any member-owned equipment, the member is responsible for repairs. Always hire a licensed electrician when making any repairs to member-owned equipment.



2024 Annual Meeting Scheduled

Midwest Energy's 2024 Annual Meeting will be held at 10 a.m. on Monday, October 21st at the Hilton Garden Inn, 221 W. 43rd St., Hays, KS 67601.

During the Annual Meeting, Board officers and the CEO will deliver remarks on the financial and operational status of the cooperative, as well as current regulatory issues and trends in energy that are affecting the business. The two students who attended the 2024

Youth Tour in Washington, D.C. will give a brief presentation. Members will have the opportunity to pose questions to the Board of Directors and the CEO.

Board of Director election results will also be announced at the meeting, which will last roughly one hour. More than a dozen great door prizes will be awarded. All Midwest Energy members are encouraged to attend.

ENERGY EFFICIENCY TIP OF THE MONTH

Placing heat sources, such as lamps, computers or TVs, near your thermostat can result in false temperature readings, increased energy use and inconsistent cooling/heating. Make sure your thermostat is installed in an area clear of obstructions, electronic devices, direct sunlight and drafts.

Ensuring your thermostat is free from these types of interferences optimizes energy efficiency, improves indoor comfort and reduces wear and tear on your cooling/heating system.

Source: energy.gov

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