

# RATE INCREASE **FAQ** | Frequently Asked Questions

## **WHY ARE RATES INCREASING NOW?**

The combination of cheaper natural gas due to fracking and the use of renewable resources have made it difficult to generate the revenue we used to. The Sikeston Power Station's excess revenue used to subsidize community members' rates; however, with the demand for wholesale electricity moving to alternative sources, that subsidy is gone. Our operating, replacement and repair costs continue, and we must have the funds to cover them if we are to continue providing power to Sikeston.

## **WHAT HAS THE BMU DONE TO DEAL WITH THE CHANGING MARKET?**

Sikeston BMU chose to address these changes with cost-cutting measures instead of raising customer electric rates in hopes the market would again swing in favor of coal. It is now clear the future of the market is not in favor of coal-produced power, and Sikeston BMU can no longer rely on only expense reduction to make up for the loss of excess revenue that has subsidized our low electric rates in the past.

## **HOW DOES MY COST OF UTILITIES COMPARE TO OTHER CITIES IN OUR AREA?**

Sikeston BMU is ranked among the lowest cost providers of electric utilities in Missouri and has been for many years. Sikeston residents and businesses have benefited from these low rates due to the BMU's sale of excess electricity from the plant, creating additional revenue that subsidized the ever-increasing costs to provide residential electricity.

## **WILL THERE BE MORE RATE INCREASES?**

This is the first of several increases over the next few years. We will continue evaluating the amount of rate increases needed annually in order to realize the revenue necessary to meet our bond covenants. However, even with these potential future rate increases, Sikeston residents will still be paying less for electricity than the majority of our neighbors across the state.

## **IF WE CAN NO LONGER SELL POWER TO OTHERS, IS THERE EVER AN END TO THE RATE INCREASES?**

The rate increases we are proposing now will move us in the right direction. Future increases will be needed to fully cover the loss of the excess revenue from the power plant. We are fortunate the bonds for the initial plant construction will be paid in full in 2022. This means we will no longer have to comply with the bond ordinance revenue requirements, which we hope will minimize the need for future rate increases.

## **WHY DOES THE BMU NEED ADDITIONAL REVENUE?**

We need additional revenue the same way you use portions of your income to pay bills and save for future emergencies and expenses. We have operating, maintenance and replacement costs, and currently, our rates are less than what it costs to produce electricity. We cannot support our reserve requirements without a rate increase.

## **WHAT HAS SIKESTON BMU DONE FOR THIS COMMUNITY BEYOND PROVIDING UTILITIES?**

Sikeston residents have experienced some of the lowest utility rates in the state for many years. Even with these low rates, Sikeston BMU has helped provide the resources necessary for economic development over the last 20 years, including the purchase of the Sikeston Business, Education and Technology Park, which supports more than 1,600 jobs in Sikeston. We also provide utility services to all the city's streetlights, parks, offices, police and fire stations and other facilities free of charge.

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### **HOW WAS THE AMOUNT OF THE RATE INCREASE DECIDED?**

We engaged a third-party adviser to evaluate our costs for providing electricity. Based on their assessment, a series of rate increases is necessary to account for the market's past and future changes. These increases will be implemented gradually to help our customers absorb the impact of the rate change. We've spent a lot of time evaluating potential solutions, and raising rates is the most viable option.

### **IS THE POWER PLANT OPERATION SUSTAINABLE, OR ARE WE LOOKING AT AN OUTSIDE COMPANY COMING IN TO PROVIDE UTILITIES?**

In the current environment, all coal plants face uncertainties. We are fortunate the bonds for the initial plant construction will be paid in full in 2022, meaning we will no longer have to satisfy the debt requirements. This allows us the flexibility to explore more options for sustaining the operation of the power plant. Sikeston BMU will continue to operate utilities for Sikeston residents and businesses. We are community driven, community owned, and we will remain that way.

### **WHY DID YOU PURCHASE THE BOOTHEEL GOLF CLUB AND OTHER PROPERTY IF YOU DO NOT HAVE ENOUGH FUNDS?**

At the time of purchase, the Sikeston Power Station was operating at a substantial surplus. We purchased the golf course as a future investment to benefit the citizens of Sikeston. Since then, the market has changed drastically in a way no one could have predicted. In response, Sikeston BMU chose not to develop that property until the residents of Sikeston want that venture pursued. It is still a valuable long-term investment and will be developed when the time is right. Sikeston BMU has always been a partner with the City of Sikeston in promoting growth and community advancement, and this is an example of that partnership.

### **WHY DID YOU BUILD A NEW BUILDING IF YOU MUST RAISE RATES?**

Our previous building was limited in size and capabilities, and at the time of construction, the power plant generated revenue more than Sikeston's obligations. We were able to fully pay for the building with reserves generated by those excess sales. While it may seem excessive now, the building will last fifty to seventy years, and due to its anticipated lifetime, the building needed to be big enough to withstand future growth.

### **IS THE BMU INVOLVED IN THE NEW SOUTH INDUSTRIAL PARK PROJECT?**

The BMU is not providing funding for this project. It is being provided by the city's economic development department. The BMU is only participating in an advisory role.

### **WHAT ABOUT THE LAST RATE INCREASES, AND WHY AREN'T THEY ENOUGH?**

The previous rate increases were done to cover our coal costs, which increased over \$16 million per year starting in 2013. We gradually increased our rates to make up for these increased coal costs. Now, due to the popularity of renewable energy sources (solar panels and windmills) and the resurgence of cheaper natural gas prices, demand for the BMU's electricity has lowered, resulting in a \$12 million loss of revenue annually. We need to make up for lost revenue and build up our reserves again. While the increase may seem high, the fact is we've enjoyed rates at half of what others in the region have experienced. Even with the rate increase, our prices will remain some of the lowest in the state.