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## What Is a Monthly Service Charge?

It's been a while since I was asked about our monthly service charge, but I figured I would explain it again.

What is the \$25.50 charge—85 cents per day—per meter you see every month on your statement whether you use power or not? We call it the monthly service charge. Others may call it a line and system fee, service availability charge, a fixed cost, flat fee or basic charge. No matter the name, this charge helps cover the cost of bringing electricity to homes. It covers part of the expenses the cooperative incurs regardless of how much electricity is sold. The monthly service charge covers such things as:

- Trucks, wire, transformers, meters and power poles needed to build and maintain the electric distribution system.
- Labor to build and maintain the lines.
- The cost of insurance, interest and taxes.
- Providing member services, data management systems and more.

Because all cooperative members benefit from having reliable electric service available when they need it, the service charge allows everyone to pay a share of the basic costs.

Members sometimes ask why ICL&P's monthly service charge is higher than neighboring utilities. It is higher than some, but quite a bit lower than others. This difference is because of our member density.

ICL&P serves an average of 3.7 members per mile of line. Compare this to a city where the average density is more than 30 customers per mile of line. It is always more economical to serve areas of higher density. However, ICL&P's average rates remain competitive with those neighboring utilities and are some of the lowest rates in the country. This is because the power

we receive comes from affordable, reliable and renewable hydropower that produces about 90% of the power we receive, and we are a not-for-profit local utility. You are our shareholders.

ICL&P serves a diverse membership. Some of our members use a lot of electricity all year. Others may use electricity only one or two months a year. Others are usually in between. The fact remains that whether you use a lot of electricity or a little, the cost of getting power to your location remains the same. That is why your residential electric bill has two separate charges: the monthly service charge to cover basic costs and the kilowatt-hour charge for the actual electricity used.

If the monthly service charge were to reflect what its actual cost should be—meaning everyone shared in the full cost of all the fixed costs listed above—the monthly service charge would be closer to \$70 a month. With a \$70 service charge, the variable part of your bill—or the cost per kwh—would be cut in half. This means that for most of you who use the “average” (1,000-1,200 kwh per month) amount of electricity, your bill would stay about the same. If you use more than the average family uses, your bill would go down and if you use less than what the average family uses, your bill would go up.

With us being a winter-peaking system, we rely on Mother Nature. If it's a cold winter, we sell more electricity and things balance out. If it's a mild winter, we fall short of budgeted expectations. I hope this further explains the monthly service charge each month on your power bill.

Thanks for listening,

**Max Beach**