



Cost of Service Study Identifies Need for Rate Increase

The Lamar Utilities Board recently reviewed a Cost of Service Study performed by the Nebraska Municipal Power Pool that recommended that an ECA (electric cost adjustment) be implemented to off-set an increase in wholesale power costs. During the past several months power costs to the utility have increased dramatically. To date the Utilities Board has absorbed the increases in an effort to maintain stable rates as per the last few years. However, the results of the Cost of Service Study determined that without implementing the ECA, the financial position for Lamar Light and Power would deteriorate to unacceptable levels.

In October of 2009 the Utilities Board held a Public Hearing for the express purpose of receiving comments on proposed rate modifications. The electric rate modifications approved subsequent to the Public Hearing included annual 2.5% increases from 2010 through 2013 that would take effect on June 1 of each year. The modifications also included the ability of the Utilities Board to implement an ECA under certain conditions. One of those conditions is an increase in wholesale power costs. Specifically, in the event that power supply costs are projected to exceed budgeted costs by 10% or more the Utilities Board may exercise the ECA option. Through August, wholesale power costs are approximately 18% higher when compared to 2010 and are projected to be significantly more than 10% of our 2011 budget.

In recognition of the change in wholesale power supply costs the Utilities Board deferred the June 2011 increase to further evaluate the impact of the increases. When it became apparent that wholesale costs were continuing to increase the Board approved a \$.015 per kWh ECA and the 2.5% increase that had been deferred since June. The increase will become effective with November electric bills.

The ECA will remain in effect for a twelve month period at which point the power supply costs will be evaluated to determine if extending the ECA will be necessary.

This is an unfortunate turn of events for all Lamar Light and Power consumers as our Utility has managed to stabilize rates over the past handful of years by taking small increases when necessary. It is incumbent upon the Utilities Board to maintain the financial integrity of the Utility and to be able to provide reliable electric service despite fires, tornadoes, ice storms and damaging winds. We have seen not only power supply costs increase, but also increases in transmission rates, regulatory fees and in the cost of supplies and equipment.

Though we face challenging times:

The Lamar Utilities Board will continually strive to provide reliable power at competitive rates to all consumers and businesses we serve throughout Prowers and Bent Counties. We will provide professional service through a commitment to excellence and work to maintain Lamar and the surrounding area as vital progressive communities.