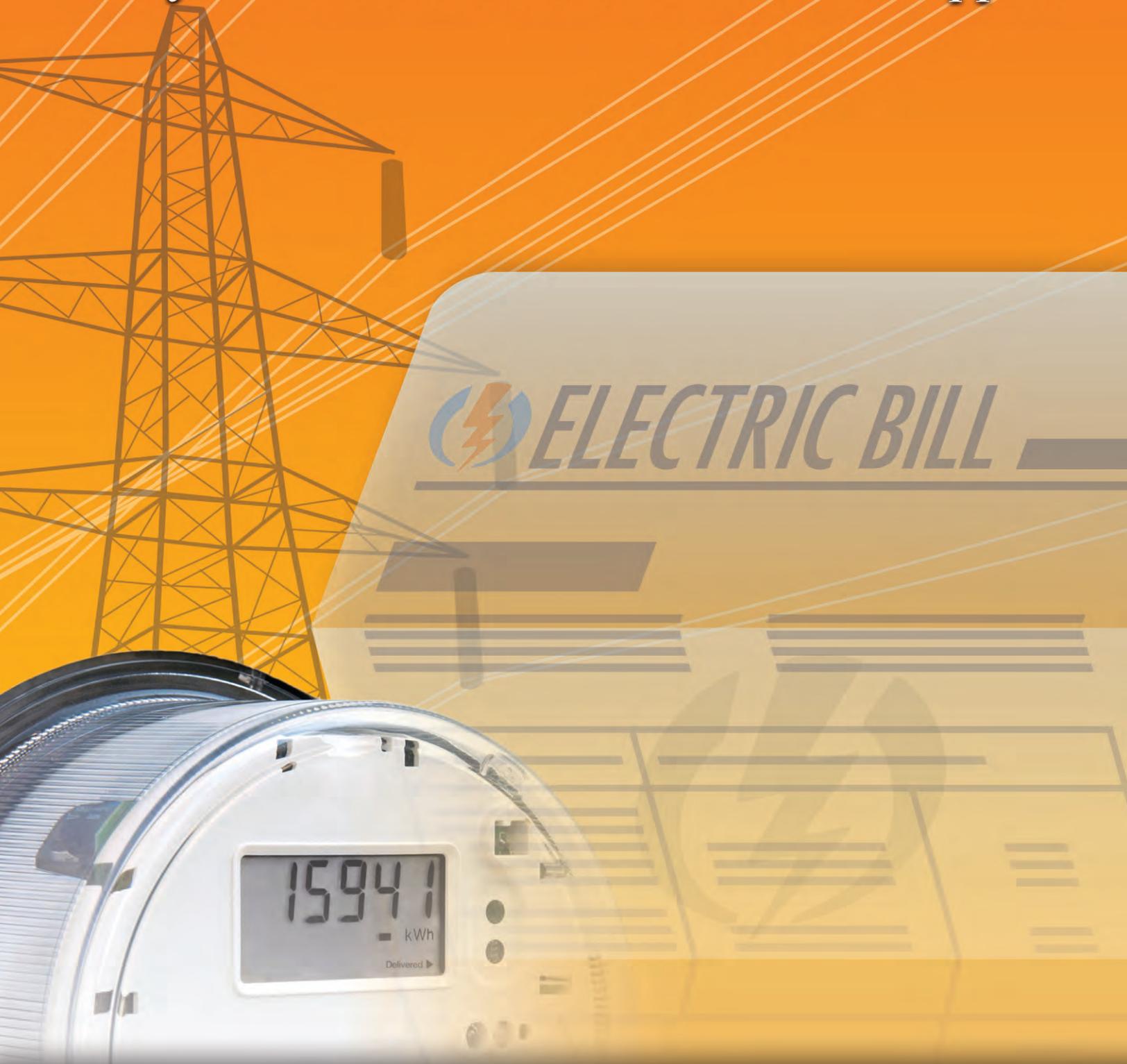


# Communicating Rate Changes

## Ways to Build Internal and External Support



**National Rural Utilities  
Cooperative Finance Corporation**

*Created and Owned by America's Electric Cooperative Network*

**Council of Rural  
Electric Communicators**

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## Acknowledgments

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# Foreword



An electric cooperative preparing for changes in rate policy must adopt a strong communication plan. That's because electric rates are a critical component of the cooperative business model. If changes are communicated well, they offer terrific touch points and opportunities for enhancing member education, discussing the cooperative difference and establishing your cooperative as a trustworthy source of information.

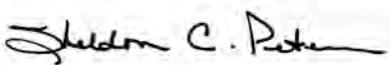
If ignored or presented to consumer-members in the wrong way, rate shifts can lead to lower member satisfaction, unrest and possibly a turnover of directors/trustees.

This guide, developed by CFC with input from the Council of Rural Electric Communicators (CREC), is designed to assist electric cooperatives, public power districts and public utility districts in planning rate-related communications to key audiences.

As noted in CREC's toolkit, *Always On: Engineering Strategic Communication to Strengthen Member Relationships*, "many co-ops have become effective at responding to controversies, but must work harder to influence member expectations proactively." This is especially true on the subject of rates and will require actions, such as:

- Making communications an integral part of your cooperative's strategic plan, and not just a support function for that plan.
- Taking the initiative and engaging with members about issues driving changes in rates, notably rising energy costs, increased state and federal regulation, deployment of system automation (smart grid) technologies, and expansion of distributed, residential renewable energy systems, such as solar photovoltaics.
- Meeting members across multiple communication channels.

Included in this publication are specific strategies and tactics to explain the impact of rate changes, along with some cooperative case studies. Of course, cooperatives need to evaluate their individual situations and modify the strategies accordingly.



**Sheldon C. Petersen**

*Chief Executive Officer*

*National Rural Utilities Cooperative Finance Corporation*

# Internal Communications: Steps to Success

**It is imperative for all who communicate about rates to express consistent, factual messages.**

To effectively communicate your cooperative's rate strategy to key audiences—explaining the process, reasons for the rate change, impact on consumers and ways to use energy efficiently to save money—all cooperative staff must fully understand it.

Rule Number 1: Never announce a rate change that is not already fully understood by your member service representatives and call center agents. Nothing good comes from a staffer telling a member “I don't know” or “I'm not sure.”

Target audiences for internal communications include board members, employees, folks serving on your cooperative's Member Advisory Committee, and even recent Electric Cooperative Youth Tour representatives. Keep in mind the greatest public relations campaign will fall short if an internal source says one of these things to a consumer-member:

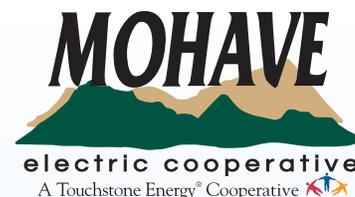
- I am not sure about that rate increase.
- I don't know why we raised rates.
- I know what you mean, that increase is really not fair.
- The increase is not our fault; it's because of our wholesale power supplier.
- Let me get back to you on that.

Employees and board members must be trained to serve as spokespersons for your cooperative on every rate change. Most employees want to say the right thing and exceed members' expectations. But they cannot share what they do not know. That's why your cooperative should follow these Steps to Internal Communication Success:

- Prepare your public relations campaign while rates are under construction. Do not wait to see the final results to begin planning.
- Create three “must-says” on the rate change. These messages should communicate empathy and action. Provide the three messages on a wallet card for employees and board members and post them on the dashboard of every cooperative service vehicle.
- Back up your “must-says” with a comprehensive Question and Answer document.
- Train your board members and employees on how to answer questions. Let them know what to expect and how to respond. Everyone wants to say the right thing, but you need to help them learn the words.
- Send the rate change news release to board members and employees before it goes public.
- Stress that employees should not get defensive about the rate change. Becoming combative with a member means you have already lost the battle.
- Acknowledge that not every member will agree with the rate change; however, confident delivery of real information can earn a member's trust.
- Encourage board members and employees to bring specific member concerns back so they can be addressed in updated materials.

## Training a Cadre of Rate Missionaries

### Mohave Electric Cooperative *Bullhead City, Arizona*



In 2011, Mohave Electric Cooperative filed an application with the Arizona Corporation Commission (ACC) for its first rate increase in 20 years. While the 4 percent average hike was small—and easily justifiable given rising costs over the previous two decades—the 33,000-member system aggressively went about building support for the move. Central to the effort were four well-attended member meetings where various aspects of the rate proposal were reviewed and consumer feedback incorporated.

Success of those meetings came when the rate case finally went to the ACC for approval. Regulators approved it in its entirety, including a potentially controversial prepaid billing component.

Advocacy for the rate change began with what Mohave Electric CEO Tyler Carlson describes as “very interactive” board strategy sessions. As the sessions unfolded, the management team brought in outside resources, including Guernsey, an engineering and consulting firm based in Oklahoma City, which performed a cost-of-service study. Results from the study helped the cooperative’s leaders think through issues and options available to them: where the electric utility industry was headed; implications of renewable energy and energy efficiency on the balance sheet; how rates should change and by how much; and rate change methodologies that had worked, or failed, for other electric cooperatives.

As a more detailed plan emerged, Carlson reports, Mohave Electric decided to field-test it. “We said to ourselves, ‘There’s a group of members we can practice on: our employees.’ So we brought them together and talked about what we were considering and why. We wanted to find out what some common questions would be and hone our message. We wanted to tell the story without drowning in consultant-ese.”

Engaging with staff provided another benefit. Schooled about the reasoning behind the proposed rate increase, the cooperative created a ready-made ambassador team to present information about it during their daily interactions with other Mohave Electric members.

All the rehearsal and refinements paid off at the member meetings. Carlson, who made a point of having board members present at the events, knew beforehand that the cooperative wouldn’t convince everyone.

“There are differences in how members understand rates, and their ability to listen,” he remarks. “Some people want to argue and make statements; they don’t want a dialogue with you. But if you do a good enough job in presenting the facts you’ll see some members answer other members’ questions. That’s when you know your message is working.”

To communicate the proposed prepaid billing option, Carlson compared it to a parking meter: people pay upfront for the electricity they expect to use (they can always pay for more). Low-income members who couldn’t afford the cooperative service deposit liked the “pay-as-you-use” concept that eliminated disconnect and reconnect fees. Some Mohave Electric consumers supported prepaid billing because it would cut down on accounts in arrears and bad debt, which the rest of the membership had to cover. Still others saw it as a way to better educate themselves on electric use and ways to become more energy efficient.

Although ACC staff recommended against allowing prepaid billing, Mohave Electric officials presented supportive testimony from cooperative members before the full commission. That proved to be persuasive.

“In the three years since the rate increase went into effect, we’ve signed up more than 800 prepaid members,” Carlson says. “The word continues to spread.”

## Rate Increase Q&A and Talking Points: Helping Employees Address Member Inquiries

**EnergyUnited**  
Statesville, North Carolina



*(Created for a rate increase effective April 1, 2011.)*

Recent reliability ratings show EnergyUnited as keeping the power on 99.97 percent of the time. Our customer satisfaction scores rank us among the top performers in the nation, nine points higher than the industry average. Our commitment to our members is simple: superior reliability at competitive prices and quality service, now and in the future.

This high level of service requires a fair and equitable investment from each EnergyUnited member. Therefore, EnergyUnited periodically evaluates its rates through a cost-of-service study.

Rate design entails a balancing act between meeting our revenue needs while minimizing the overall financial impact to our members. As a not-for-profit organization, we must recover our costs of doing business as well as maintain sufficient margins to reinvest in our electric distribution system. The cost-of-service study identifies the total revenue requirements for the cooperative. Through the cost-of-service study, costs are allocated appropriately to each member classification based on the service, equipment and infrastructure required to serve. Once completed, rate structures are designed to meet the needs of each classification.

Our most recent cost-of-service study resulted in new rate schedules being developed that will go into effect with our April 1, 2011, meter readings. Based on member classification and consumption, the overall impact to a member may vary, with some paying more and some paying less. The overall amount charged to members should be revenue-neutral based on our latest Wholesale Power Cost Adjustment (WPCA) figure.

Below are questions and answers that may aid you in speaking with members about our new rates.

### Q. What is the change to the Basic Facilities Charge?

A. The change in the Basic Facilities Charges differs per rate classification. For residential members, the Basic Facilities Charge has increased as follows:

RESIDENTIAL ALL-ELECTRIC ELO3		
	OLD RATE	NEW RATE
Single Phase	\$15.00	\$20.00
Single Phase > 600 amp Service	\$15.00	\$40.00
Three Phase	\$34.50	\$40.00

SMALL GENERAL SERVICE		
	OLD RATE	NEW RATE
Single Phase	\$18.00	\$22.00
Three Phase	\$42.00	\$44.00

*\*Consumer Service Representatives should refer to their training documentation to answer questions on the change to the Basic Facilities Charge for accounts with 600-amp service.*

**Q. How much will my bill increase?**

**A.** The cost-of-service study performed earlier this year ensures that each member pays his or her fair share. Based on rate classification and consumption, the impact will vary—an overall bill may increase or decrease. The greatest difference is the change in our Basic Facilities Charge, which has increased for all members. Therefore, low-use members will see the greatest impact. Based on average annual consumption, a residential member will see the following increase or decrease:

ANNUAL MONTHLY KWH	RESIDENTIAL ELO1			RESIDENTIAL ALL ELECTRIC ELO3		
	RATE RE PRESENT \$0.0080	RES SERVICE PROPOSED	PERCENT INCREASE	RATE RE PRESENT \$0.0080	RES SERVICE PROPOSED	PERCENT INCREASE
100	\$23.31	\$27.83	19.37%	\$23.05	\$27.56	19.54%
250	\$35.78	\$39.56	10.59%	\$35.13	\$39.89	10.71%
500	\$56.55	\$59.13	4.55%	\$55.25	\$57.78	4.57%
750	\$76.10	\$78.69	3.40%	\$74.19	\$76.53	3.15%
1,000	\$95.65	\$98.25	2.72%	\$93.13	\$95.28	2.31%
1,250	\$119.24	\$120.15	0.77%	\$115.96	\$116.25	0.25%
1,500	\$142.93	\$142.05	-0.54%	\$138.80	\$137.23	1.13%
2,000	\$190.00	\$185.85	-2.18%	\$184.48	\$179.18	-2.87%
3,000	\$275.30	\$270.60	-1.71%	\$267.08	\$260.38	-2.51%
4,000	\$360.60	\$355.35	-1.46%	\$349.68	\$341.58	-2.32%

**Q. What does the Basic Facilities Charge represent?**

**A.** The Basic Facilities Charge ensures that expectations for continuous power and outstanding member service are met. It gives each member a fair and equal share of the cooperative's operations. It provides funds that must be invested now to maintain the quality, reliability and integrity of service that our members have traditionally counted on and come to expect.

Among expense items covered by the Basic Facilities Charge are:

- Trucks, wire, transformers, power poles and labor needed to build and maintain the electric distribution system;
- Keeping pace with increased system investments to improve both capacity and reliability;
- Implementing new technologies to provide increased reliability and operational efficiencies, such as our outage management system and advanced metering infrastructure; and
- Liability insurance, interest, taxes and emergency storm restoration.

Because all cooperative members benefit from having reliable electric service available when they want it, the Basic Facilities Charge ensures that everyone pays a fair share of basic costs—costs that exist whether or not a single kilowatt-hour is used.

**Q. Why is EnergyUnited's Basic Facilities Charge so much higher than Duke Energy's or those of surrounding cities?**

**A.** Due to our low consumer density and because we have relatively few large industrial members to help carry the financial load, EnergyUnited's Basic Facilities Charge is slightly higher than other neighboring utilities. EnergyUnited serves an average of nine to 10 members per mile of electric line with average revenue just under \$11,000 per mile of line. Compare that to Duke Energy, where average density runs from 30 to more than 40 customers per mile of line with an average revenue of more than \$62,000 per mile. Regardless of consumer density, EnergyUnited has an obligation to meet our members' needs and expectations for reliable electric service, and we are committed to doing so.

**Q. When was the last rate increases?**

**A.** The last cost-of-service study was performed in 2005, which resulted in an overall 1 percent to 2 percent increase. EnergyUnited works diligently to control costs, and we have kept our rates stable for the last six years. However, the 2010 cost-of-service study resulted in the need to update our rate structures to ensure that each member pays his or her fair share.

**Q. EnergyUnited rates decreased last year, why are they being increased now?**

**A.** EnergyUnited's rates remained the same in 2010 with a decrease in the WPCA factor due to fluctuations in the cost of electric generation. This resulted in our members paying less for electric consumption in 2010. Unfortunately, in 2011, the cost of generation increased and that cost was passed along to members. The April rate change is being made as a result of a cost-of-service study that ensures each member pays a fair share of operating costs. Prior changes in the WPCA have been incorporated into this new rate structure so on April 1, the WPCA will be reset to \$0. However, EnergyUnited will continue to monitor the cost of generating electricity and will adjust the WPCA accordingly in the future.

**Q. Who determines when a rate increase is necessary and by how much?**

**A.** EnergyUnited's Board of Directors and executive staff continuously monitor the financial stability of the organization to determine if or when a rate increase is necessary. To establish the new rate structure, an independent, experienced firm was hired to review and recommend changes to our rates.

**Q. What is the effective date of the new rates and when will I see this reflected on my bill?**

**A.** The new rates will be effective with meter readings dated after March 31, 2011.

**Q. Will I continue to see the Wholesale Power Cost Adjustment (WPCA) on my bill each month?**

**A.** Prior changes in the WPCA have been incorporated into this new rate structure, so on April 1 the WPCA will be reset to \$0. However, EnergyUnited will continue to monitor the cost of generating electricity and will adjust the WPCA accordingly in the future.

**Q. Will the new rates change the cost of my security light?**

**A.** Security light charges have also been reviewed as part of the cost-of-service study. Members can expect a slight increase in the overall cost based on the type of security light installed. And as with electric metered service, the WPCA has been incorporated in the overall charge and reset to \$0.

**Q. How do EnergyUnited rates compare with those of Duke Energy, neighboring municipal electric systems and other cooperatives in this area?**

**A.** EnergyUnited's rates are very competitive with other electric providers in this area. On the whole, EnergyUnited's rates have been and will remain some of the most competitive in this area.

**Q. Did rates increase as a result of the deployment of advanced metering infrastructure (AMI) ... smart meters?**

**A.** EnergyUnited is always looking for ways to better serve you—our members. The advanced metering system being deployed will provide operational efficiencies, reduce costs, as well as increase the reliability of your electric service. This is just one of the ways that EnergyUnited is working to help control your costs now and into the future.

- Q. Will commercial/industrial rates increase or is this applicable only to residential rates?**
- A.** The cost-of-service study offers a comprehensive review of all rates to ensure that each member regardless of rate classification pays his or her fair share. Each member class should pay its fair share of costs without having one class subsidizing another. Please refer to your copy of the new rate schedule for revised commercial rates.
- Q. Are copies of the rate schedule available?**
- A.** Yes. Copies will be available after April 1. Members may obtain a copy of the new rate schedule either by requesting that we mail one or at EnergyUnited local offices.
- Q. I understand that EnergyUnited has a program to help those in need in the community; are my rates being increased to support this program?**
- A.** The EnergyUnited Foundation has helped those in need throughout our service territory. The funds to support this program are not included in overall electric rates. In fact, this program is funded by the generosity of our members who contribute to our Operation Round Up® program by allowing their electric bill to be rounded up to the next whole dollar amount each month.
- Q. Each year capital credits are returned to members; can EnergyUnited keep those monies instead of increasing rates?**
- A.** EnergyUnited is a not-for-profit electric cooperative. Our not-for-profit status mandates that any net margins (profits) made by the cooperative must be allocated to the membership in the form of capital credits. Periodically, these amounts are retired.
- Q. I understand that rates have not increased since 2005. Can we expect the same time frame with the new rates? Or is another rate increase anticipated and when?**
- A.** While EnergyUnited has not had a rate increase in six years, there are several factors that can come into play and will affect rates. Many of these are unplanned and are tied to rising costs for coal, natural gas, storm restoration efforts, legislation requirements, etc. We are committed to doing our best to minimize the impacts to our members by being proactive in our power supply and operational planning and offering energy-saving tips and rebate programs. We are committed to maintaining the reliability, quality and integrity of our electric system.
- Q. Are my rates increasing due to new legislation concerning renewable energy requirements for electric providers?**
- A.** It is true that electricity from renewable resources is more costly per kilowatt-hour. EnergyUnited continuously looks for the most cost-effective ways to add renewable resources to our energy portfolio and to keep your rates as low as possible. For more information about renewable energy, please refer to our Renewables Q&A.
- Q. What is EnergyUnited doing to keep costs down?**
- A.** EnergyUnited has not increased rates since 2005. EnergyUnited strives to operate efficiently while adhering to our commitment of providing affordable, high-quality and reliable electric service. We continuously evaluate our operations in an effort to keep your rates as low as possible by:
- Managing our power supply contracts. For each dollar collected, 70 percent goes to the cost of purchasing electricity to meet the needs of our members;
  - Implementing beneficial technology, such as our outage management system or advanced metering infrastructure, to help control costs, provide operational efficiencies and increase reliability;
  - Competitively bidding all contracts to ensure quality service at the best possible price; and
  - Ongoing evaluation of our day-to-day operations for opportunities to improve and gain efficiencies.

**Q. What can I do to reduce my electric costs and can EnergyUnited provide any assistance in this area?**

**A.** EnergyUnited offers a number of ways to help members manage their electric bills. These services include using power more efficiently as well as flexible payment options, such as budget billing and auto-bank draft.

Members may find helpful information about conserving energy on the EnergyUnited website, which includes:

- Energy efficiency tips under residential services
- A CFL savings energy calculator (found on the conservation tips page)
- Touchstone Energy® Cooperatives online energy audit
- Together We Save home energy savings house tour—link on the home page
- Links to Touchstone Energy® Cooperatives savings brochures

In addition, Touchstone Energy savings brochures may be mailed to members. You may also refer members to Carolina Country magazine where we traditionally publish energy-saving tips as a part of our monthly local news pages.

Although EnergyUnited does not offer free home energy audits, we recommend companies that members can contact. Refer to our Intranet listing of certified energy auditors that can provide this service. The cost will vary based on the services provided and must be paid by the member. We are still in the process of evaluating our home energy audit pilot program. Once accepted, we will add it to the listing of approved auditors.

# Reaching External Audiences

**For every decision made around the staff meeting table, and for every decision made by the co-op's board of directors, you need a communication plan to make target audiences aware of that decision.**

**T**his ageless cooperative adage takes on added importance during a rate change. Failure to reach a target audience can damage an electric cooperative in many ways: member discontent, increased phone call volumes, complaints to state regulators and legislators, visits from consumer advocate reporters, or getting slammed in social and local media.

Before any external rate change communications begin, communicators must understand the basics of rates and ratemaking. The 2010 study, *Rate Strategies for 21st Century Challenges: A Guide to Rate Innovation for Cooperatives*, produced by CFC and the National Rural Electric Cooperative Association, provides comprehensive information on industry forces influencing electric cooperatives and their rate strategies. It also offers valuable background for rookie or veteran cooperative communicators to use that will ensure a clear understanding of methods and goals your cooperative hopes to achieve through its rate structure.

In December 2013, CFC released a follow-up publication, *Electric Rate Concepts in an Era of Slow Growth*, which underscores key points from the prior rate guide that are particularly relevant in today's sluggish kilowatt-hour sales environment. A June 2015 CFC publication, *Meeting DG Challenges: Ratemaking Philosophies and Strategies for Electric Cooperatives to Consider*, discusses ways cooperatives can ensure rate fairness for all members when integrating member-sited distributed generation (DG) systems, notably rooftop solar and backyard wind.

Rate issues created the need for other analyses predating 2010. A full collection of past reports, going back to the 1976 *Rate Concepts and Rural Electric Cooperatives* report, is available at [www.Cooperative.com/RateDesign](http://www.Cooperative.com/RateDesign).

## Communication Goals

Resulting messages should be consistent through all channels, such as your newsletter, statewide publication, website, social media platforms and community notices. Objectives include:

- Educating consumer-members about rates and the costs of doing business on a regular basis.
- Educating, empowering and building awareness among consumer-members about any upcoming rate change; the process by which it will be implemented; the effect it will have on electric bills; and what action is needed on their part, if any.
- Maintaining a positive level of member satisfaction when the rate change goes into effect.
- Building awareness of your cooperative's mission to maintain safe, reliable and affordable electric service.
- Fostering member and public understanding of how the new rates will lead to a more reliable power supply and lower costs on a long-term basis.

A set of three “must-says” (key messages) for internal use will assist cooperative staff in delivering concise and consistent points when dealing with consumers, media and the general public. Reinforce your cooperative's positive role as a not-for-profit, member-owned and governed organization.

Support these points with real-world examples. For example, highlight local efforts to educate

members on the importance of energy efficiency or point to [www.togetherwesave.com](http://www.togetherwesave.com), a Touchstone Energy® Cooperatives initiative. State and national legislative issues may also influence rising costs and rate design. Work with your statewide association to spread awareness of local issues, or visit the Cooperative Action Network at [www.action.coop](http://www.action.coop) for more information on national policy issues.

## Strategies and Tactics

*Repetition makes a lasting impact on any audience. As the old communicator's mantra instructs: (1) Tell them what you are going to tell them; (2) tell them; and (3) tell them what you told them.*

When dealing with rate changes and power price adjustments, two scenarios are possible: planned or unplanned. In general, a planned rate change offers the ability to control the intervals at which materials are communicated to target audiences. A planned rate adjustment also may allow flexibility in determining when the adjustment will take place.

The following are some general recommendations for planned rate changes:

- Become well versed in ratemaking basics. For example, rates-oriented communications can confuse members unless you provide them (often) with a clear understanding of energy versus demand.
- Consistently educate members about rate issues and the overall costs of doing business, even when no rate change is in the works. (For example, let them know that “About 70 cents of each dollar we receive from members is used to purchase the power needed to serve your home, farm or business.”) Communicate the value of electric service, not the electricity itself.
- Demonstrate benefits of the new rates to individual situations—and prepare other staffers to do the same. A few minutes of explanation can save consumers months of confusion or frustration.
- Announce a price adjustment as soon as you know about it. If you are planning rate changes every year, tell your members so they can plan accordingly. Always allow time to mention the increase in a newsletter and/or statewide magazine, which may have a 45- to 60-day turnaround.
- Complete your communication by discussing what you have done to mitigate the increase and what consumers can do to reduce electric bills. This offers a critical opportunity to add value to the broad services you provide, such as energy audits and efficiency programs, and grid improvements like deployment of system automation technologies, line upgrades, etc.
- Think strategically when to implement a rate rollout. Effective dates of April 1/May 1 and October 1 are always best because electric use will generally be lower those months.



Many of these same principles apply when dealing with unplanned rate changes. Given the shorter time frames for implementation, however, lay out facts for consumer-members in a concise, easy-to-understand manner.

Unplanned increases often are driven by external factors beyond your cooperative's control, although cooperatives should not appear to simply be shifting blame. Instead, be proactive in anticipating these potential situations. Doing so will ease consumer-members' concerns as well as keep you positioned as a strategic partner in meeting their energy needs.

With either scenario, an effective communication strategy remains key. At the onset, all employees must be educated on specifics of the rate change and related price adjustments—since most deal with consumer-members on a daily basis, either formally through their jobs or informally as members of the community. Providing each cooperative employee with talking points and having them participate in mandatory training to handle inquiries are must-dos. Remember, a knowledgeable staff is better positioned to build strong relationships and trust with members.

## Recommended Communication Tools and Methods

### 1. Work with Your Wholesale Power Supplier

Contact the communications teams at your wholesale power supplier, such as your generation and transmission cooperative, to learn more about the reasons and background for wholesale rate adjustments. Ask about accomplishments during the year, such as new renewable resources, areas of savings and investments in infrastructure. Your wholesale supplier likely has communication tools available to supplement these points.

### 2. Research

On an ongoing basis, gather data to use as material to address future rate changes and price adjustments. Examples of research:

**Industry knowledge.** What are the rates for other utility providers in your area? Additionally, what are telephone companies, Internet service providers and others charging for monthly access? How often do they raise rates?

**Inflation rates.** How does the price adjustment compare with the rate of inflation? To calculate inflation rates visit [www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm).

**Historical data.** How have your rates trended over the past 10 years? Have they increased or decreased, and by how much?

**Project tracking.** What has your cooperative done recently to substantiate an increase? Include information about upgrading lines, substations, transformers, etc.

**Reliability.** Showcase impressive System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI) and Customer Average Interruption Duration Index (CAIDI) data and categorize reasons for outages such as storms, animal contacts, vehicle accidents, problems on investor-owned utility transmission lines feeding your substations, etc.

**Communications challenges.** Identify the biggest issues that arose when communicating the last rate change.

**Cooperative.com and Straight Talk.** Materials to help communicate rate changes can be found in the Communicators Interest Area on Cooperative.com under Straight Talk, a monthly electronic news resource that contains editorial, graphic, audiovisual and other resources for communicating with your consumers. Go to [Cooperative.com/StraightTalk](http://Cooperative.com/StraightTalk).

### 3. Frequently Asked Questions/Media Talking Points

Frequently asked questions (FAQs) with answers regarding the rate change (*see Case Study on page 3*) should be developed along with media talking points to tackle questions from key audiences. In your talking points, consider highlighting your wholesale power supplier as a partner in your cooperative model and as an additional media contact. FAQs also can be used as the core information to develop newsletter articles and other communication items, and should be posted on your website.

### 4. Employee/Board Training Sessions

The success of how consumer-members react to a rate change will greatly depend on message delivery. Employees and directors/trustees are your best ambassadors. Once a rate change is determined, hold one or more training sessions with them and distribute internal talking points to help ensure delivery of a consistent message. Walk through the FAQs and other materials to ensure they are knowledgeable about the new rates.

**5. Letter to Members**

A letter to members should clearly address the what, when, where, why and how of the rate change. Within the letter, announcement of the rate change should remain the focus, with emphasis on how it will affect members (in terms of average cost, etc.), how they may be able to benefit from it, as well as any superlative information that demonstrates ways your cooperative and its wholesale power supplier are effectively managing costs. This could include system upgrades, technological advancements and so on. Stress your cooperative’s service reliability and cost-effective pricing, the need to protect the integrity and financial stability of your cooperative, as well as ensuring the safety of employees and consumers.

**6. Official Notice**

In some states cooperatives are required by law to notify all members of a proposed or impending rate change. If necessary, seek board or regulatory approval of the official notice.

In Iowa, for example, the following is used:

[Date]

Dear Member:

On [Date], [Cooperative’s name] Board of Directors approved an increase in rates and charges affecting prices for electric service that you receive. The increase will apply to your usage beginning on [date].

The increase in annual revenue will be approximately [\$ amount] or [x percent].

Although the effect of the increase on your bill will vary depending upon the type and extent of usage, the average monthly increase per customer for the primary customer classes are:

Customer Class	Current Monthly Rate	+ Increase	=	Monthly Rate	Percentage Increase
Class	\$x	\$x		\$x	x%
Class	\$x	\$x		\$x	x%
Class	\$x	\$x		\$x	x%
Class	\$x	\$x		\$x	x%
Class	\$x	\$x		\$x	x%
Class	\$x	\$x		\$x	x%
Class	\$x	\$x		\$x	x%
Class	\$x	\$x		\$x	x%
Class	\$x	\$x		\$x	x%
Class	\$x	\$x		\$x	x%

A written explanation of current rate schedules and charges is available without charge from our local business office. If you have any questions, please contact our business office at [telephone number].

Sincerely,  
 Name  
 Board President

Co-op Manager’s Name  
 Title

## **7. Bill Stuffers**

Bill stuffers remind consumers of an approaching or implemented rate change. One or two bill stuffers are recommended. Distribute the first following the letter sent to consumer-members, but don't overwhelm them. Instead, reinforce the letter's message in different ways.

A bill stuffer should be distributed at least 90 days prior to a rate increase taking effect. It should remind consumers to plan for the increase and serve as a way to reinforce positive programs and services your cooperative provides. Whenever possible, include facts about investments your cooperative has made to enhance reliability. Keep the bill stuffer short and direct. Adding a few facts (gathered from your research) can provide material to substantiate the rate change. Keep these messages subtle, more of "a reminder."

## **8. Local Cooperative News Pages and Newsletter Articles**

Articles in the local cooperative news pages of your statewide publication or separate newsletters should be used to reinforce key messages of reliability, quality and cost effectiveness of services that your cooperative provides. Graphs and charts can be used to enhance these pieces. You may wish to capture the key messages in the form of a "Did you know ..." column with brief tidbits of information.

## **9. CEO/Manager's Columns**

Manager's columns provide an ideal forum to personally connect with your membership and explain why rate changes are necessary and what it means for your cooperative.

These columns should discuss how your cooperative continuously works to best serve its members, citing examples of improvements and success stories. Look at the column as an extension of the initial letter to consumer-members with more detail and a more personal tone.

## **10. Online Updates**

Rate change updates as well as information used in articles and columns should be posted to your cooperative's website and, if possible, distributed through social media outlets. Additionally, use your website and social media platforms to reinforce that your cooperative remains a strong, stable and responsible partner in delivering reliable power to its consumer-members. Copies of the official notice and price schedules also should be made available online.

## **11. Presentations (Incorporate into Annual Meetings, Workshops, etc.)**

If the timing of a rate change coincides with cooperative meetings, consider including some brief information about it in presentations. During these events, you have an engaged audience and can publicly address positive aspects of the rate change. Explain how consumers can best take advantage of the new structure, keeping details at a manageable, understandable level.

## **12. News Releases**

Sending out a news release to announce a rate change helps ensure reporters come to you for information. It provides an opportunity to explain both the revisions and the cooperative business model. Be sure to include information about the many ways your cooperative strives to help members keep bills affordable and save money.

## **13. Guest Articles/Letters to the Editor**

A letter to the editor offers a forum for your cooperative to convey vital messages about the rate change as well as similar programs (such as those promoting energy efficiency) with a personal tone. The letter should be no more than three to five paragraphs in length and always stress the positive.

## Taking Rate Changes to the Streets

### Lake Country Power Grand Rapids, Minnesota



In 2011, Lake Country Power in northern Minnesota found that its \$22.50 monthly facilities charge was falling unsustainably short of its purpose: providing a primary revenue source for maintaining poles and wires, supporting office facilities and paying staff. Through a cost-of-service study the cooperative, having 43,000 members and the largest territory of any North Star State electric cooperative, discovered that the true per-member facilities cost was \$41.95.

“We needed about a 2 percent to 3 percent revenue increase,” says CEO Greg Randa, “or roughly \$2 million more in rates. We began looking at different ways to generate it.”

Further study also revealed that the cooperative had sent out 55,000 bills with no electric use in 2011. That’s because one-third of Lake Country Power members are seasonal, owning lakeside cabins and hunting lodges across the region. These consumers were paying the \$22.50 facilities charge, but most of the year did not contribute kilowatt-hour sales income. “It was a fairness issue,” Randa comments. “Our seasonals were being subsidized by other members to a large extent.”

The cooperative also planned a modest reduction in the energy charge to accompany the higher facilities charge. But before implementing the rate change, a major member education component was needed. Randa credits Director of Member Services & Community Relations Mike Birkeland for the resulting campaign.

The cooperative embarked by organizing 16 member focus groups, where Lake Country Power leadership presented the facts and its reasoning for the rate changes. Staff distributed a survey at the beginning of each meeting, and an identical one at the conclusion, asking consumers their opinions of the cooperative and the proposed rate adjustments. “The ‘after’ surveys were encouraging,” Randa reports. “Every one of them became more positive. We also launched a public information campaign involving some 25 media visits.”

Convinced the messaging was working, the cooperative in 2012 organized nine public meetings around its service territory, and even one in the Twin Cities area, open to all Lake Country Power members. Each invitation included an RSVP, advising recipients that if they were coming staff would prepare a copy of one of their own bills with the proposed changes figured in. (Staff also brought computers and printers to provide that information to members who had not responded.)

“That was one of the most convincing things we did,” Randa stresses. “People could see what it would mean, individually, for them. In a third of the cases bills went down because the member used more than 800 kilowatt-hours a month—the effect of the lowered energy charge.”

Members were further questioned over three possible increases to the \$22.50 facilities charge: to \$27.50, to \$32 and to \$42. The \$42 charge received the most support.

The membership meetings were held during April and May, when many of the camps were occupied. Randa also says lots of seasonal members drove up to attend. “This was a process to engage all our members.”

Confident of its direction, the Lake Country Power board approved conducting an advisory vote on the three facilities charge options as part of its annual meeting. “It’s the board’s job and responsibility to set the rates,” Randa points out. “That’s why it was an advisory vote only. But it was probably the best turnout for annual meeting balloting ever, and the \$42 option got almost 50 percent of the vote, well ahead of the others.”

The new rates were implemented on September 1, 2012. Randa remarks: “They’ve had the desired effect. Seasonal and non-seasonal members are paying bills more commensurate with their costs and obligations to each other and the cooperative. Even better, it’s what our membership chose to do.”

## Communications Checklist and Timeline

A checklist and timeline for communicating a rate change should be established before any communications begins. The following is an example; actual timing may differ due to circumstances specific to your cooperative.

COMMUNICATION METHOD	AUDIENCE	TIMELINE
Research, gathering of statistics, key facts	None	Ongoing
Internal education about rates, costs of doing business	Directors, employees	Ongoing from first internal notice
Employee training session(s)	Employees	Ongoing from first internal notice, once appropriate
Director training session	Directors	Upon first internal notice, once appropriate
Frequently asked questions, media talking points	All audiences	6 months prior to change; ongoing updates as needed
Website updates	All audiences	6 months prior to change, or once appropriate
Manager's column	Consumer-members	5 months prior to change, then monthly
Letter to consumer-members	Consumer-members	5 months prior to change
Local cooperative news pages or newsletter article	Consumer-members	5 months prior to change, then monthly
Bill Stuffer #1	Consumer-members	3 months prior to change
Official Notice	Consumer-members	2 months prior to change
News Release	All audiences	2 months prior to change, coinciding with official notice
Bill Stuffer #2	Consumer-members	Concurrent with change
News Release	All audiences	Concurrent with change
Letter to the Editor	All audiences	Concurrent with change
Presentations	Various	TBD based on schedules

## Evaluation

Effectiveness of your communication strategy should be measured qualitatively and quantitatively. A survey offers one way to gauge consumer perception, especially if done before and after a rate change. (See case study in this report, “Taking Rate Changes to the Streets.”) Strive to conduct surveys at the same time every year, ideally during months of typically low electric use, to avoid excessive influence from higher heating and cooling bills.

Success of your communication strategy also can be measured through other means, such as by the number of phone calls received and nature of the calls. This approach, while more subjective, will provide a baseline relative to whether members understand your message.

These evaluation methods can help you determine if communication goals and objectives were achieved with target audiences. If goals are not met as expected, consider modifying your strategy accordingly. Remember: Repetition is key.

# Summary

Electric rate changes are one of the most critical interactions between electric cooperatives and their members. How the change is communicated determines whether that interaction goes well or creates dissatisfaction. In fact, the “case for communications” may be best demonstrated to electric cooperative leadership on this issue alone. As a result, communicators must approach rate changes thoughtfully and strategically.

Internal messaging remains paramount to ensuring a smooth rate change. Focus on key messages (“must-says”) that are consistent and factual, and ensure all member-facing employees and board members understand them. Develop a clear communications timeline that corresponds to the rate change timing and make it widely available internally.

Communicate those key messages with consumers through a variety of channels to gain resonance. Repetition of consistent messaging becomes key. Acknowledge that not every member will agree with a rate change regardless of messaging—nonetheless, confident, honest delivery of the message can go far in gaining members’ trust.

We hope this report—created in the spirit of the Sixth Cooperative Principle, “Cooperation Among Cooperatives”—can provide some guidance to your rural electric system in communicating rate information. But it’s just a starting point. Please feel free to reach out to those cited in this guide for more information and to discuss issues specific to your system.

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## CREC

The Council of Rural Electric Communicators (CREC) has a broad mission, and works with NRECA to promote and recognize professionalism, excellence, and leadership in communication among electric cooperatives. Established on October 27, 1981, CREC sponsors the annual Spotlight on Excellence Awards and New Co-op Communicator Orientation programs, helps administer the J.C. Brown CEO Communication Leadership Award, and created the Certified Cooperative Communicator program. One of its most recent projects involves developing an online Communication Toolkit, available on Cooperative.com, that's divided into seven major sections to help electric cooperative communicators perform their jobs more effectively. In addition, CREC designed the "Always On" initiative that allows cooperatives to assess and maximize communication and member engagement as a critical element of strategic management.





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