



UNDERSTANDING “TIERED” OR “INVERTED BLOCK” SEASONAL ELECTRIC RATES

The Colorado Public Utilities Commission (PUC) has approved a “tiered” or “inverted block” rate structure for Xcel Energy. Inverted block rates are seasonal rates in which electricity customers pay more for higher usage during peak summer months and less during other non-peak months of the year. The new rate structure is designed to more accurately reflect the actual costs of electric usage.

WHY INVERTED BLOCK RATES DURING THE SUMMER?

The highest power consumption in Colorado occurs during the summer months, and requires Xcel Energy to have adequate facilities in place to generate enough power during the high usage summer period. Summer power costs more because it requires additional generation to meet the immediate needs. During the rest of the year, demand for electric generation is lower and therefore costs less to produce.

Seasonal inverted block rates are designed to promote efficient use of energy during periods when demand for electricity is greatest. The rates will be in effect from June through September. Customers pay a lower charge for the first 500 kilowatt-hours (kwh) of electricity per month, and a higher rate for usage above that.

HOW WAS THE 500 KWH THRESHOLD SET

The PUC realizes that a certain amount of basic electric service is a necessity. Approximately 60 percent of summer users will go over the 500 kwh mark in each month. These are the users that are being targeted with inverted block rates. The PUC is trying to instill a sense of necessity to conserve beyond the basic electric necessities. Inverted block rates are designed to help *all* Colorado customers because new power plants will not be needed as quickly. The PUC’s intent is to slow down the ever increasing demand for power.

DO CUSTOMERS PAY MORE BECAUSE OF A TIERED RATE SYSTEM?

The company receives no additional revenue from a seasonal, inverted-block structure. Any increases in summer will be offset by lower rates in winter. Customers that use more energy will pay more, and customers that use less will realize greater rewards for their efforts to use electricity wisely.

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Electricity rates actually will be lower for a majority of the year. Rates for the October-May months will be reduced and cost less than before. Also, the initial 500 kwh during the June-September months will be at the same lower rate. It is only after a summer user goes over the 500 kwh mark in a given month that they will begin getting charged for the higher tier prices for that usage that exceeds 500 kwh.

According to Xcel Energy, a typical residential customer uses about 687 kwh per month during the June-September period and about 605 kwh per month the rest of the year. Under the new tiered rates, residential customers with average usage will pay about 2 percent more in summer and about 5 percent less during the rest of the year. Customers who are able to reduce their electricity usage during the peak months will be able to see larger savings on their bills.

WHAT WILL THE TIERED RATES INITIALLY BE?

For the first 500 kwh during the June-September period, the **base** rate will be 4.6 cents per kwh. Including surcharges, the total rate will be 9.8 cents per kwh. Above 500 kwh, the **base** rate will be 9 cents per kwh, and the total rate (with surcharges) will be 14.3 cents per kwh.

From October-May, customers will pay the 4.6 cents per kwh base rate.

WILL MY ELECTRIC BILLS BE HIGHER THIS SUMMER?

Depending on your level of usage, your summer rates may go up or down, while your winter rates definitely will go down. It's hard to compare rates year-over-year because Xcel Energy sought and received two rate increases that were effective in 2009 and 2010, in between the two summer seasons.

The PUC approved a 3.7 percent increase for Xcel Energy residential electric customers effective Jan. 1, 2010, to pay for investments in generation and statewide distribution system improvements. The PUC also approved a 3 percent increase that became effective when the new generating unit at the Comanche plant in Pueblo came on line. This means that any higher summer rates will be due mainly to the overall increases, not to the change to tiered rates.

WHAT CAN I DO TO LOWER MY BILL?

Consumers can check the Governor's Energy Office website at <http://www.rechargecolorado.com/> or Xcel Energy's website at <http://www.xcelenergy.com> for information about rebates, incentives and helpful tips to help conserve energy.

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