

Your Electric Bill “Tracker”



In the “old” days, electric rates were stable and did not change very often. In the 1970s that began to change, as fuel shortages resulting from the OPEC Oil Embargo caused wild fluctuations in fuel cost, a large component in the cost of producing electricity. In those days, electric companies had no mechanism for passing through costs associated with the production of energy, short of filing a very expensive and lengthy rate case with regulators.

We do not produce any electricity in Mishawaka. We buy all our energy from I&M Electric Company and deliver it over our poles and wires to your home or business. The wholesale price we pay for electricity fluctuates frequently; it is especially sensitive to the cost of fuel used to produce electricity (natural gas, coal, nuclear). What we pay for this purchased power amounts to a significant 75 percent of the retail rates we charge for electricity. That means that even small changes in our cost of energy can have a serious impact on our local operations.

The State of Indiana, which regulates the rates we charge for electricity, devised the “Tracker” mechanism to help ease this burden. Basically, it works this way: Indiana approves our base electric retail rates, including a factor for our wholesale costs. Then, as the wholesale cost of our electricity increases or decreases from the cost basis included in our rate, we are permitted - in fact *ordered* - to pass the change through, up or down, to our customers, in the form of the Tracker. This mechanism assures customers that they’ll receive credits when they’re due. And it means that we don’t need to file for changes in base rates every time fuel prices fluctuate, for example.

We calculate and file what we project our wholesale cost of power will be, looking ahead three months. The Tracker is a fixed surcharge per kWh of energy we “expect” to sell during the next quarter. It is fixed for three months at a time, but fluctuates from quarter to quarter; it is posted on our website as a Rate Adjustment.

At the end of each quarter, we compare the usage and cost we projected three months earlier to what actually has happened. Any variance is added to or subtracted from the Tracker calculation we make for the next quarter. So the current Tracker, in essence, looks forward three months and is adjusted, or "trued up" in arrears by changes over the prior three months.