

Growing Demand Drives

“Believe it or not, the national cost of electricity today, when adjusted for inflation, is less than what it was in 1980.”

by Brenda Kleinjan

AMERICANS – INCLUDING MEMBERS OF Touchstone Energy® Cooperatives in South Dakota and western Minnesota – are using more electricity today than ever before.

In the past 10 years, the number of residential electric users has risen nationwide, as has the overall number of electric users. In 1994, there were more than 102.3 million residential electric users. By 2005, that number had risen to more than 120.7 million users. When business and industrial customers are folded in, the numbers climb from 116.5 million in 1994 to 138.4 million in 2005.

Not surprisingly, the amount of electricity those individuals use has also increased. Nationwide, residential electric use rose from just more than 1 billion megawatt hours to 1.36 billion megawatt hours in 2005.

(A megawatt hour is 1,000 kilowatt hours. A 100-watt light bulb burning for 10 hours uses one kilowatt-hour.) Residential users used an average of 938 kilowatt hours of electricity each month in 2005. (South Dakotans averaged 952 kwh per month while Minnesotans used about 820 kwh monthly.) Overall electric usage nationwide has increased from 3 billion mwh to 3.8 billion mwh in the same timeframe.

This increased use will require that new electric generation facilities come online to meet that demand.

Those generation sources, along with the related transmission power lines and other infrastructure, are paid for, in part, by your monthly electric bill.

Local control of cooperatives means that decisions regarding rates are made locally. Those decisions are guided by what's in the best interest of the cooperative, and therefore, that cooperative's member-owners.

Local cooperative directors study the numbers and take decisions seriously as the rates they



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Rates

decide upon are the very same rates they'll see showing up in their monthly electric bill.

According to EIA statistics, both South Dakotans and Minnesotans pay well below the national average for monthly electric bills. The nationwide average monthly electric bill for residential users was just more than \$88 in 2005, but South Dakotans paid an average of \$74 and Minnesotans paid \$68. It's important to note that each individual family's electrical habits will impact how their monthly bill compares to those averages.

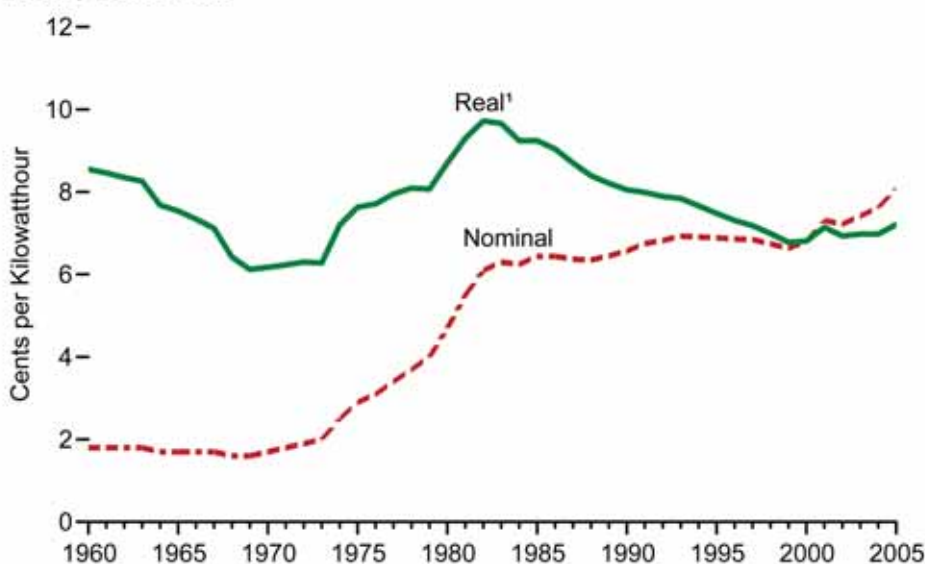
According to the federal Department of Energy's Energy Information Administration statistics, South Dakota ranks 36th in terms of electricity costs while Minnesota ranks 35th. (Hawaiians pay the most, with residential users averaging \$138 per month for 667 kwh each month.)

Believe it or not, the national cost of electricity today, when adjusted for inflation, is less than what it was in 1980.

In fact, according to the EIA, the price of residential electricity in the U.S. is more than 4 cents LESS per kwh in real terms than it was in 1960.

Very few commodities have remained such a good value. Compared to other consumer products and services, electricity is a bargain. In our high-tech society, electric cooperatives focus on innovation and new technologies to improve service and reliability. Cooperatives promote energy efficiency and encourage conservation. As the demand for energy continues to rise and the costs of fuels increase, your electric cooperative is committed to providing safe and affordable electricity at the lowest possible cost: a value we can all fit into our budgets.

Total, 1960-2005



Above: This chart graphs the price of electricity for all sectors of users – residential, commercial, transportation and others – from 1960 to 2005. The red line indicates what the price was in the given year while the green line indicates what the real price was, when adjusted to Year 2000 dollars. **Right:** The chart at right lists the average price of electricity nationwide from 1960 to 2005 for residential users only. The center column shows the actual price in the given year while the column on the right shows what the cost was when adjusted to Year 2000 dollars. *Source: Table 8.10, Energy Information Administration/Annual Energy Review 2005*

Average National Retail Prices of Electricity

(Cents per Kilowatt hour, Including Taxes)

YEAR	RESIDENTIAL	
	NOMINAL	REAL ¹
1960	2.6	12.4
1961	2.6	12.2
1962	2.6	12.1
1963	2.5	11.5
1964	2.5	11.3
1965	2.4	10.7
1966	2.3	9.9
1967	2.3	9.6
1968	2.3	9.2
1969	2.2	8.4
1970	2.2	8
1971	2.3	8
1972	2.4	8
1973	2.5	7.9
1974	3.1	8.9
1975	3.5	9.2
1976	3.7	9.2
1977	4.1	9.6
1978	4.3	9.4
1979	4.6	9.3
1980	5.4	10
1981	6.2	10.5
1982	6.9	11
1983	7.2	11
1984	7.15	10.57
1985	7.39	10.6
1986	7.42	10.41
1987	7.45	10.18
1988	7.48	9.88
1989	7.65	9.74
1990	7.83	9.6
1991	8.04	9.52
1992	8.21	9.5
1993	8.32	9.41
1994	8.38	9.28
1995	8.4	9.12
1996	8.36	8.91
1997	8.43	8.84
1998	8.26	8.56
1999	8.16	8.34
2000	8.24	8.24
2001	8.63	8.43
2002	8.46	8.12
2003	8.7	8.18
2004	8.97	8.22
2005	9.42	8.4

¹ In chained 2000 dollars, calculated by using gross domestic product implicit price deflators. *Source: EIA*