



## Questions from Rate Advisory Committee Meetings



**Question asked by:** DeeDee Belmares

**Date question asked:** June 10, 2021

**Date question answered:** October 18, 2021

### General

(CPS Energy & Industry)

**Question:** What is the difference between residential & commercial rates?

**Answer:** The rate for residential customers applies to customers in single family homes or multi-unit dwellings like apartments and is based on a rate per unit of electricity used. The rate has several components that makes up the rate. In short, the more a residential customer uses, the more they pay. The **rate** remains the same no matter how much power they use. We charge our residential customers an \$8.75 monthly service fee (think about it as the share of the infrastructure needed to provide the residential service. More on that later), and a flat rate of about 7 cents/kwh electricity they use.

However, with business customers, whether it is a small, medium, large, or industrial, the more electricity they use, the lower the **rate** they pay. For our commercial & industrial customers, our rates vary, depending on the size of the business between 3 – 7 cents/kWh. After a business uses a certain amount of electricity, the per kWh declines. As an example, small businesses pay about 7 cents/kWh until they use 1600 kWh. At that point, they pay 3.3/kWh. A larger business would see its kWh charge reduced from 4.2 cents to 3.9 cents after 200 kWh.

Furthermore, larger businesses also pay what's called a demand charge. If a midsize manufacturer demands a maximum of 200 kW of energy at any given moment to run its factory, CPS Energy charges the manufacturer \$10/kW of demand. Think about the speedometer/odometer on a car. A car has to have the capability to go a distance of 100 miles at a speed of 60 mph. The car has to be built to maintain 60 mph for a desired distance – whether or not you ever drive the car at 60 mph. Infrastructure is the same. CPS Energy has to build its system to meet a business's kW demand (aka mph) for some period time (kWh). Demand charges make up a significant portion of the electricity bill for larger customers.

The rates that residential and commercial customer pay increase during the summer months.