

High power bills — Q&A

Most every member of Holston Electric Cooperative has felt dismay and shock this winter after opening their electric bills and seeing the amount of kilowatt-hours used and the payment due.

Without a doubt, bills are higher than they have ever been. Many have expressed their concerns in person, on handwritten notes and through the Internet on public blogs in various communities. Unfortunately, there is a tremendous amount of confusion and misinformation about why these bills are higher than they have historically been.

The customer service representatives in our three office locations have spoken to hundreds — maybe thousands — of folks about the bills. I have received calls and letters from concerned residential, commercial and industrial customers. We've tried to explain how the weather conditions and rate changes implemented by the Tennessee Valley Authority affected their power bills.

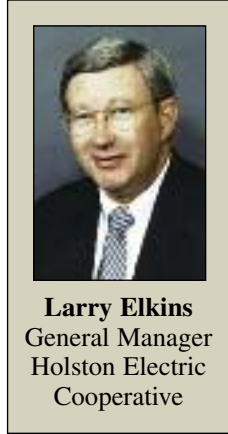
One important fact we've all tried to communicate is that Holston EC has not raised your electric rates. There have been increases from TVA over the past year that raised rates about 30 percent higher than they were in January 2008, but none of that increase goes to Holston EC. Eighty-six cents of every dollar that is paid to Holston EC goes to TVA for purchased power. All of the services that the cooperative provides are accomplished with just 14 cents of each dollar. In fact, Holston EC customers have the lowest rates in the area. The high energy bills we're experiencing are directly related to high energy use — the amount of kilowatt-hours we've used — and higher TVA rates.

I thought I would use this month's column to answer some of the most frequently asked questions concerning the high bills. I hope this will provide a better understanding of the energy concerns we all have.

If the fuel cost adjustment (FCA) decreased by 5 percent in January, why didn't my electric bill go down?

Unfortunately, the decrease in the fuel cost adjustment was offset by an increase

in the amount of energy used. Electric bills that were issued after Jan. 1, 2009, were billed with the reduced fuel cost adjustment. However, these bills covered use during the months of December, January and February. According to weather records, heating-degree days during these months were higher than we've had in many years, leading to higher heating demands during this period. Power bills increased based on the amount of energy used, more than offsetting the 5-percent decline from the lower FCA.



Larry Elkins
General Manager
Holston Electric
Cooperative

My neighbor lives in a similar size house. Why is my electric bill always more than

his?

Many factors impact the amount of energy used in a home, so it is very difficult to make direct comparisons between two different households. Of primary consideration is how well the home is weatherized. Attic insulation, insulated doors and windows and eliminating outside air infiltration are the most cost-effective ways to improve the energy efficiency of any structure.

The number of occupants and their ages can also have a dramatic impact on the amount of energy used. Hot water use for showers and baths as well as for laundry and dishwashing needs is another major driver of energy use.

The type of heating or cooling system for the home is of major importance. A high-efficiency electric heat pump will use half or even less energy to heat or cool the same amount of space as compared to an electric furnace or older-model, inefficient heat pump. And, of course, many homes are heated with natural gas or propane, although electricity is still used for the furnace fans. And don't forget all those other electricity-users (TVs, lights, computers, etc.)

Why are there more days in my billing period some months and fewer in others?

Holston EC strives to maintain all meter reading routes on a regular reading

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Serving more than 30,000 customers in Hawkins and Hamblen counties.



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To report an outage or electrical emergency, call 272-8821 or 235-6811 day or night.

Keeping electric bills affordable

Our Energy, Our Future brings the co-op voice to Capitol Hill

America's families are facing tough economic times. Many struggle to afford the basics: food, housing and energy. In fact, the cost of residential electricity climbed an average of 26 percent between 2002 and 2007, and it is projected to go even higher. As if that wasn't bad enough, today's electricity supplies won't be able to keep pace with future demand.

Now, elected officials in Washington, D.C., are poised to make important policy decisions that will determine our nation's energy future. To guide lawmakers in a sound direction, electric cooperatives are making sure that your voice, the voice of the consumer, gets heard during legislative debates.

Through the Our Energy, Our Future grassroots awareness campaign, hundreds of thousands of electric cooperative consumers have already sent more than 1.5 million messages to



Our Energy, Our Future
A Dialogue With America

their members of Congress. Through this outreach, co-ops have shared our insight drawn from decades of offering safe and reliable electricity at affordable rates, service that always makes consumers — not the bottom line — priority No. 1.

If you haven't already done so, please get involved in the campaign

by asking your representatives on Capitol Hill one important question: Are you willing to work with electric co-ops like Holston Electric Cooperative to ensure our nation has reliable power at a price consumers can afford? The stakes are too high to miss this opportunity to help secure YOUR energy future.

To learn more about how you can begin a dialogue with your elected officials, please visit www.ourenergy.coop today. Together we can keep electric bills affordable.

Co-op electric rates lower than industry average

Residential electric rates have steadily increased in recent years due to rising costs for fuel, construction materials, and labor. However, the average price for electricity paid by electric cooperative consumers has remained consistently lower than the industry average.



Source: U.S. Energy Information Administration

In a comparison of the average industry retail electricity rates and the average cooperative retail electricity rates, cooperative consumers consistently pay less for power.

Cooperative leaders converge on State Capitol

Directors and employees from Tennessee's electric cooperatives traveled to Nashville in March to meet with their legislators at the State Capitol. The Tennessee Electric Cooperative Association's Legislative Conference brought more than 200 co-op member-owners face to face with their elected representatives, maintaining a long-standing tradition of support for the members of rural electric cooperatives.

Board members, managers and other employees were briefed at an update on Monday, March 2, on the legislative issues facing their co-ops. Sen. Bill Ketron of Murfreesboro discussed legislation that was important to the state's electric cooperatives, including pole attachment fees. And staff from the Tennessee Electric Cooperative Association (TECA) gave detailed information about bills that could directly affect electric cooperatives in the state.

The co-op delegations had a long day on Tuesday, March 3, as they made their rounds through the halls of the state legislature. Each year, each co-op group visits the senators and House members that represent the districts in its service area. They come not just as constituents, but also as representatives of their member-owned utilities.

With many new faces in Tennessee's General Assembly, co-op visitors began their legislative visits by introducing their elected representatives to the important role of member-owned, not-for-profit electric cooperatives in communities across the state. They then discussed major issues that will affect Tennessee's rural electric co-ops, including:

- **SB1508/HB1743**, by Sen. Tim Burchett of Knoxville and Rep. Craig Fitzhugh of Ripley, and **SB1977/HB1908**, by Sen. Burchett and Rep. Steve McManus of Memphis. These bills would establish Federal Communications Commission-type rates for pole attachments and designate the Tennessee Regulatory Authority as the arbiter between pole-owners and companies whose lines are attached to those poles. Both bills have one purpose: to lower the rates that cable television companies pay to attach to poles owned by electric cooperatives. Co-op representatives asked their state legislators to oppose both bills because lowering pole attachment rates means greater profits for cable television companies at the expense of rural Tennesseans.
- **SB1657/HB1591**, by Sen. Charlotte Burks of Monterey and Rep. Charles Curtiss of Sparta. Very similar to a bill from last year requiring records be open to members of the cooperative at any time, it also requires several measures, including public meetings, be followed before eminent domain proceedings are undertaken. All Tennessee co-ops have policies that provide an avenue for members to use in addressing their boards about concerns.



Holston EC leaders bring the concerns of cooperative members to Nashville. From left are HEC Board Chairman Otis Munsey, General Manager Larry Elkins, State Rep. John Litz of Morristown and board members Phil Pierce and Lynn Parker.

- **SB1089/HB1518**, by Sen. Randy McNally of Oak Ridge and Rep. Fitzhugh. While not a TECA bill, Tennessee's electric co-ops are interested in the measure, which creates a new nonprofit corporation to allow Seven States Power Corporation — owned by most of the utilities in the Tennessee Valley — to own and operate electric generation plants.
- **SJR0086**, by Sen. Douglass Henry of Nashville. This joint resolution expresses the sense that the U.S. and Tennessee should combat global climate change through the adoption of a fair and effective approach that safeguards American jobs, ensures affordable energy for America and maintains America's global competitiveness. While not sponsored by TECA, it echoes the concerns of Tennessee's electric co-ops and the National Rural Electric Cooperative Association that Congress consider the affordability of energy when addressing climate-change legislation.

"We simply would not have the support that we have were it not for our grassroots efforts," said David Callis, TECA director of government affairs. "By having the 'folks back home' come to Nashville and meet with the people they elect, it really helps us drive home our stand on the issues. Lawmakers recognize our long tradition of putting people over profits."

TECA represents Holston Electric Cooperative and 21 other electric co-ops and one municipal electric system in Tennessee. Tennessee's electric cooperatives provide electricity and other services to more than 2 million residents of the state. Electric cooperatives are not-for-profit utilities governed by their members. You can see current legislative news by going to www.tnelectric.org.

TVA lowers fuel cost adjustment for second consecutive quarter

Holston Electric Cooperative members will see a slight decrease in the amount paid per kilowatt-hour of electricity after April 1. The Tennessee Valley Authority announced it will lower its quarterly fuel cost adjustment (FCA) for the second consecutive quarter in this fiscal year.

For the quarter beginning April 1, the fuel cost adjustment will decrease about 0.5 cents per kilowatt-hour, from more than 1.3 cents per kilowatt-hour to 0.8 cents. Because the fuel cost adjustment is a per-kilowatt-hour charge, amounts that customers will save depend on how much energy they use. Customers who had been paying \$98.68 for 1,000 kilowatt-hours in the second quarter will now pay \$93.18, a savings of \$5.50.

“In these economically challenging times, we are especially glad that lower fuel costs will provide some relief in power costs to the consumers in the Tennessee Valley,” said TVA President and CEO Tom Kilgore. “Unusually cold weather this winter has meant higher consumption of electricity and higher power bills even for people who keep their thermostats low.”

About 60 percent of TVA’s power supply comes from fossil fuels used to make electricity — coal, oil and natural gas, the majority of which is coal. When costs for these fuels change, TVA’s costs to make electricity also change. The FCA is the mechanism TVA uses to pass along quarterly increases and decreases in fuel costs to customers.

Under the fuel cost adjustment, when the price of fuels used to make electricity decreases, the cost of electricity also decreases. Current economic conditions and increased rainfall also contributed to lower fuel and purchased power costs, Kilgore said.

Unfortunately, coal prices have not decreased as rapidly as other fuel prices, preventing TVA’s costs from dropping further. About 60 percent of TVA’s power supply comes from fossil fuels — primarily coal, along with oil and natural gas.

TVA began its fuel cost adjustment mechanism in October 2006 after experiencing the spike in fuel costs caused by Hurricanes Katrina and Rita the previous year. The FCA ensures that TVA recovers costs as they occur, helping TVA better match its revenues to expenses. Many utilities use similar mechanisms to adjust their rates.

Employees complete apprenticeship training

Apprenticeship training is a learn-as-you-go educational program. It helps employees master the skills required for performance of their jobs while they remain in their work environment.

Brian Allen and Chuck Hurd recently completed the requirements for completion of programs for line truck operators and servicemen. At right, Holston EC General Manager Larry Elkins presents Allen and Hurd with certification of their accomplishments.



General Manager Larry Elkins, left, and Brian Allen



Elkins and Chuck Hurd

Holston EC crews assist Kentucky co-op

In February, five Holston EC linemen answered a call for help to restore downed power lines at a rural electric cooperative in central Kentucky. An ice storm moved across the midwest and central states of the nation in late January, leaving more than 700,000 Kentucky residents without power during extreme winter conditions.

Chris Couch, Brian Parvin, Wayne McCracken, James Rasmussen and Stacy Ryans headed to Kentucky to put their skills at the disposal of Meade County Rural Electric Cooperative Corporation. They worked throughout a two-week period to help restore the power system while enduring daytime temperatures with highs in the teens, nighttime lows in single digits and arctic-force winds.

The network of electric cooperatives throughout the country works together as quickly as possible to restore power to areas hit by natural disasters.



From left, Holston EC linemen Stacy Ryans, James Rasmussen and Brian Parvin are among the men traveling to Kentucky to help restore power. Wayne McCracken and Chris Couch were not available for the photo.

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schedule. However, there are factors that occasionally interfere with that, including weather, illness, equipment breakdowns, holidays and vacations. As a result, some months can include readings for as few as 28 days and others for as many as 33 days. However, a 30-day schedule is closer to the norm. The holidays falling near or at the start of each year (Christmas Eve and Day, New Year's Day) often result in longer periods within a read cycle. And the meter reading periods for individual members can be vastly different, covering different periods of the month for members located in different parts of the service area. For example, some meters may be read early in the month, others late in the month, and comparing one period to the other might be quite different if the weather changed drastically during the month.

Where can I learn how to use electricity or all forms of energy more efficiently?

Members can participate in an online home energy audit by visiting our home page, www.holstonelectric.com, or TVA's *energy right*® Web site, www.energyright.com. Participants who complete the survey will receive a free energy conservation kit directly from TVA. In addition, Holston EC provides energy-saving information in *The Tennessee Magazine* each month and on our Web site.

My power bill doubled in just one month! I think my meter was misread or there might be something wrong with my meter.

Electric meters simply record the number of kilowatt-hours that pass through the meter. They work similar to your car's odometer, which keeps a running record of the miles driven. It doesn't happen very often, but if a meter is over- or under-read one month, the next reading will show the total kilowatt-hours used. An easy way to track your power use each month is to

read your own meter daily, weekly or monthly. You can see for yourself the impact a few frigid-temperature days have on your use.

Electric meters are traditionally very accurate, but if a problem develops in a meter, it will generally run slow and record lower rather than higher readings.

No wonder my electric bill is so high, with TVA giving its CEO a huge bonus, and I guess we'll be paying for the cleanup of that coal ash spill in December. What is Holston EC doing about these issues?

Holston EC agrees that the decision of TVA's board of directors to boost the CEO's salary with a hefty bonus was ill-timed. Cooperative members are having difficulty making ends meet during these economic times, and when electric bill charges are used to support high salary payouts, it puts an additional burden back on ratepayers. We don't agree with that and have let TVA know our feelings.

The coal ash spill at the Kingston Steam Plant is an unfortunate event and one that we hope will be repaired and cleaned up to everyone's satisfaction. However, an accident of this magnitude will undoubtedly cost millions of dollars. TVA does have insurance that may — or may not — cover some of the costs of the spill cleanup, depending on the underlying cause of the failure, which has yet to be determined. Other than possible insurance coverage, TVA's only source of revenue is from electric ratepayers. So unless TVA receives an insurance payment or some type of financial assistance from the federal government, it appears likely that any repair and cleanup costs will sooner or later make their way back to the ratepayers. When and how much of an impact this will be is unknown at this time.

Do Holston EC employees get free or reduced electricity?

No. All employees and board members get electric bills just like our members do, billed at the same rates as all of our members. So we, too, are feeling the pinch this winter of higher rates, the colder weather and all the other factors that influence our bills.