



# SPOTLIGHT

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## Future costs: the central challenge ahead

**M**any people are facing tough economic times and rising energy costs are contributing to shrinking budgets.

In particular, power plant fuel costs have increased, especially the cost of coal and natural gas. Between January and October 2008, for example, market prices for coal rose 200 or even 300 percent.

Costs for power plant fuel are reflected in the fuel charge you see on your bill, along with the purchases of power that Jackson Energy's wholesale power supplier makes from other companies to meet system demand. The fuel charge is a pass-through cost, meaning Jackson Energy doesn't retain any of those funds.

It all goes to East Kentucky Power Cooperative (EKPC), Jackson's wholesale power supplier, which uses it to recover costs for power plant fuel and purchased power.

"Please keep in mind that the fuel



JOHN SHERMAN COOPER power plant, in Burnside, is owned by East Kentucky Power, Jackson Energy's wholesale power supplier. The plant provides electricity to Jackson Energy and 15 other electric cooperatives throughout the state. Rising fuel for power plants and federal environmental regulations have contributed to rising energy costs.

charge has nothing to do with the cost of gasoline," said Don Schaefer, Jackson Energy's President & CEO. "We are a not-for-profit cooperative, regulated by the state. Even though we don't make a profit, we do have to recover the costs of business."

Jackson Energy members are not alone in facing rising energy costs from their electric utility. Although some energy costs have moderated recently, over the long term, experts predict that costs will continue to rise.

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### OUR VISION

*A premier and progressive cooperative committed to integrity, accountability and innovation, with concern for our customers and the communities we serve.*

## SPOTLIGHT

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# The right thing to do

I was asked recently why an electric utility like Jackson Energy encourages people to save energy. Isn't it a bad idea for a business to tell customers to buy less of its product?

"Because it's the right thing to do" is the noble and accurate answer. But I admit it doesn't sound credible in these cynical days. Also, it doesn't completely answer a very reasonable question.

Using energy efficiently is good because it saves money for consumers like you. And in the big picture, it makes our community, and our nation, more productive by reducing waste.

But yes, it does seem wrong as a business move.

The main bottom-line reason for urging you to use less electricity is that if the growth in everyone's electricity use can be slowed, electric co-ops might be able to avoid building another expensive power plant.

To get even more technical, if everyone's use of electricity can be shifted from times of maximum use, power plants can run more consistently, increasing their efficiency. In other words, if people wash clothes

later at night, or if some air conditioners can automatically shut off for a few minutes in the hottest part of the day, that could avoid the need for another power plant for those peak times.

But one more important reason for encouraging energy efficiency is the organizational structure of Jackson Energy. As a member-owned, not-for-profit corporation, your local electric co-op's business motivation is to deliver to you the best combination of reliable and affordable electric service.

Jackson Energy does not need to produce profits for investors in other states or countries. Instead, since the customers are both members and owners, its self-interest is to provide good service

for the local people who own the utility.

So while there are sound business reasons for encouraging our members to use electricity efficiently, what it all adds up to is that it *is* the right thing to do.



Don Schaefer  
President & CEO



## Fuel costs, environmental regs driving up rates

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Rates have increased nationwide, along with the costs of adding equipment to comply with EPA clean-air mandates.

Last fall, EKPC filed an application for a base rate increase to be effective in late spring of 2009. If approved by the state, the wholesale rate increase would be passed to retail members and would add about 6 to 7 percent to the bill of the average Jackson Energy member. EKPC needs the additional revenue to meet financial obligations and to recover costs for a new clean-coal unit coming online this spring.

But perhaps the biggest challenge is yet to come. The central challenge in the years ahead will be the cost of building new power plants that will be needed to meet rising demand.

State officials project that Kentucky will need the equivalent of 10 new power plants by 2025. How is Jackson and EKPC working to meet this challenge?

“We want to partner with our members to deal with these costs by improving energy efficiency, and expanding renewable energy and alternative fuels,” Schaefer said. “It’s important to remember that Kentucky’s traditional fuels, including natural gas and coal, will remain necessary, as well.”

Jackson Energy and 15 other cooperatives were the first utilities in Kentucky to build renewable power plants and to market the power through the EnviroWatts program.

Jackson Energy offers programs to boost energy efficiency, including Button Up, Tune Up, and the Touchstone Energy Home programs. “We’ve also given away

LAUREL RIDGE LANDFILL plant near Lily uses the methane gas from the landfill to produce electricity. Owned by East Kentucky Power, the plant was one of the first renewable energy plants in Kentucky.

thousands of free compact fluorescent bulbs since 2003,” Schaefer said. “CFLs use less energy.”

The co-op also provides Simple Savings informational bulletins that explain step-by-step instructions for quick, simple, affordable projects to improve energy efficiency. For detailed information, go to [www.simplesavings.coop](http://www.simplesavings.coop). This Web site has a variety of tools that can help people find simple savings in their energy usage.

According to the National Community Action Foundation, making your home more energy efficient through common weatherization upgrades, like adding insulation, is a good investment. Every \$1 invested in weatherizing homes quickly translates into \$1.67 in energy savings, according to David Bradley, executive director of NCAF.



ADDING INSULATION is a home energy upgrade that has a quick payback.

# Save with your Co-op Connections card

**W**ith more than 14,000 participating businesses in 11 categories, you can use your Co-op Connections card to save money almost anywhere you go, but if you are looking for the opportunity to get away without spending much, here's an idea.

Kentucky State Parks offer card-holders a 10% discount on lodging. To get your discount, go to [www.KentuckyUnbridledSpirit.com](http://www.KentuckyUnbridledSpirit.com), and click on leisure and travel.

For more information or to receive a card, call (800) 262-7480 or visit [www.jacksonenergy.com](http://www.jacksonenergy.com).



## Understanding the fuel adjustment charge

### What is the fuel adjustment charge?

The fuel adjustment charge is a way for the company that produces electricity at its power plants to regularly adjust the price of electricity to reflect fluctuations in the cost of fuel, or purchased power, used to supply electricity.

### Why is the fuel charge necessary?

Fuel costs make up a significant portion of the cost of generating electricity. Fuel prices, including the price of coal, can fluctuate widely over relatively short periods, as can the price of purchased power. The fuel charge allows utilities to reflect those fluctuations in their electric rates without having to request changes in their base rates.

Without the fuel charge, utilities would likely be required to file for more frequent rate increases, and the charges in the base rates would be greater.

### Do utilities earn a profit on the fuel charge?

No. The fuel charge serves strictly as a way for reflecting the costs of fuel and purchased power on a dollar-for-dollar basis. In other words, utilities only recover the extra costs of the fuel and purchased power, nothing more.

### Does the Kentucky Public Service Commission (PSC) review the fuel charge for each utility?

Yes. The monthly fuel charge filings are reviewed for accuracy by the PSC.



*When it comes to clean and green,  
we're hands on.*

Greenworks is about an ongoing commitment to environmental stewardship. It's about being the state's largest generator of renewable energy, using clean coal technology, and reducing emissions. It's about offering energy-efficiency programs and finding more earth-friendly alternative fuels.



Find out more about Greenworks on our cooperative's Web site or go to [www.greenworks.coop](http://www.greenworks.coop).