

Electric cooperatives and retail choice FAQs

Q. — I've heard about another utility offering lower rates to switch to them. What is this all about?

A. — Duke Energy, FirstEnergy, DP&L and AEP through their subsidiaries, along with several power-marketing firms, are offering short-term discounted wholesale rate packages aimed at their own and the customer bases of fellow investor-owned utilities (IOUs). This is the result of electric industry deregulation enacted in Ohio almost 10 years ago, combined with today's bargain-basement power market.

Q. — This deal sounds almost too good to be true. What's the catch?

A. — The offers target only specific customer groups currently served by other IOUs. The discounted rates also have special conditions. The offers are for wholesale power only. Customers will continue to pay distribution charges and other fees or tariffs associated with service from their current utility. In addition, utilities and consumer advocates are urging that IOU customers "read the fine print" on supply contracts and understand there may be hidden charges and early termination penalties that would negate possible savings.

Q. — As a co-op member, can I switch to another power supplier?

A. — No, it is not possible for you to change wholesale power suppliers. Only IOU customers may choose to accept a discounted wholesale rate, and then only if it is offered by a competitive retailer approved by the Public Utilities Commission of Ohio (PUCO).

Q. — Why aren't you participating in "retail choice?"

A. — Electric cooperatives are not-for-profit, member-owned and locally governed utilities that for many years have benefited from the lowest cost of wholesale power generation in the state. Ohio's electric co-ops did not "opt in" to electric industry restructuring 10 years ago. Co-op leaders believed they were already offering affordable and reliable electricity. In addition, their non-profit status and patronage capital programs benefited owner-members in other ways.

Q. — Who supplies my wholesale power?

A. — Your electric cooperative and 24 other distribution coops serving Ohio own Buckeye Power, Inc., a generation-and transmission cooperative (G&T) based in Columbus. Buckeye owns several power plants and controls other sources of generation. Wise business decisions and proper planning ensure a reliable supply of electricity at affordable rates for coop members without depending on the power market, which can expose end-use consumers of electricity to price volatility.

Q. — How does the cost of my wholesale power stack up against the discount offers I've heard about?

A. — Buckeye Power's wholesale rates are generally competitive with the discounted offers – and without the attached strings and small print. In addition, Buckeye's rates are cost-based and don't include mark-ups for profit.

Q. — How much do I pay for the power component of my electric bill?

A. — Co-op members in Ohio will pay 6.5 to 7 cents per kilowatt-hour, on average, for generation and transmission in 2011-2012. Because Ohio electric co-ops receive wholesale energy and services exclusively from Buckeye Power, their members already are getting very competitive generation-and transmission pricing.

Q. — Will Buckeye Power offer discounted rates to IOU customers to get them to switch?

A. — No. Power generated by Buckeye is for the use and benefit only of Ohio electric cooperatives and their members. There are no discounts, special offers, conditions or fine print associated with your service.

Q. — I hear that the cost of generating power is going up across the nation. Why is this and how will it affect me?

A. — In these tough economic times, the cost of fuel to generate electricity is higher, and other operating costs are on the rise. Utilities also face what is being called the “regulatory train wreck.” The Environmental Protection Agency (EPA) is moving under authority of the Clean Air Act to require more aggressive emission controls at power plants. EPA is also preparing rules aimed at limiting the emission of carbon dioxide and other greenhouse gases. Meeting these new standards will be incredibly expensive, plus there is a high degree of uncertainty about what will be required and when.

Q. — How is Buckeye Power prepared to deal with these higher costs?

A. — Buckeye foresaw the need to upgrade environmental controls almost 10 years ago and embarked on a construction program to install the latest equipment, including scrubbers for the removal of sulfur dioxide and mercury from power plant flue gas. This work is done and the \$1 billion cost has become a part of the rate base through a series of incremental wholesale increases. Buckeye also has purchased additional generation capacity to ensure a reliable supply of power past 2020. Your wholesale rates already reflect these power supply decisions. Co-op members in Ohio can look forward to continued rate stability in the future.

Q. — What can I do to lower my cost of electricity?

A. — Your electric cooperative is the source of advice for energy efficiency. Little things like turning off lights when rooms are not in use, replacing incandescent bulbs with compact fluorescent lights (CFLs) or setting back the thermostat on your water heater can save money. Replacing older electric appliances with ENERGY STAR-rated models, providing adequate wall, ceiling and floor insulation and weather sealing windows and doors can make your home more comfortable and lower the monthly electric bill. Check with your co-op’s energy advisor or go to Together We Save (www.togetherwesave.com) for more information.