

**Northwestern
Rural Electric
Cooperative
Association, Inc.**

Your Touchstone Energy® Cooperative 



One of 14 electric cooperatives serving Pennsylvania and New Jersey

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- Billing/Moves/Credit/Consumer Services**
1-800-352-0014
- Engineering/New Construction/Field Services/Water Heater Servicing**
1-800-473-3567
- Emergencies/Outages**
1-800-474-1710
- Administration/General**
1-800-472-7910
- FAX**
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OFFICE HOURS

Monday through Friday
7 a.m. - 3:30 p.m.

Mary Mulligan-Haines, Editor

FROM THE MANAGER & CEO

New electric rates in April 2008



by Michael D. Tirpak
General Manager & CEO

FOR THE PAST year, I have been informing our membership that a detailed Retail Electric Rate Study was under way, with the help of our banker (the Cooperative Finance Corp.) and a consultant from Atlanta. The study is complete, the numbers have been analyzed, and after very careful consideration, our board of directors has

approved an increase in our co-op's distribution electric rates of about 5 1/2 percent. These new rates will take effect April 1, 2008.

It has been over six years since the last increase in electric rates. Your cooperative management team has worked very hard to make our co-op more efficient and to mitigate future rate increases. But inflationary cost increases have taken their toll and a moderate rate change is necessary to keep our co-op financially strong.

The Consumer Price Index has increased by 14 percent over the past six years with many materials specific to our business increasing far faster. For example, copper wire has increased by 156 percent, aluminum wire by 66 percent and transformers by 78 percent — much of this driven by the tremendous economic growth in China and India. I recently bought some Romex wire for a project at home that cost more than double the price I paid a few years ago. We all have seen these increases from the grocery store to the gas pump.

Efforts to make our co-op more efficient have been seen in a variety of ways. The most successful project has been our Load Management Program where we control about 8,000 member water heaters and 500 electric heat homes dur-

ing our peak power time periods, which has saved us about \$14 million in avoided wholesale power costs over the past 20 years. This popular program has also provided water heater repairs and replacements for program participants. For our construction fleet, we have purchased mostly diesel vehicles, which give considerably better fuel economy and longevity. We also purchased a hybrid Ford Escape last year to evaluate its fuel economy. When interest rates dipped to historic lows, we refinanced much of our debt to save interest costs. We also have the same number of employees as we did in 2002 and continue to improve our high level of service to our membership. Additional plans are in the works to use technology to further improve co-op efficiencies and change many of the ways we do business.

The bottom line at Northwestern REC is a strong commitment from the board of directors and employees to provide a high quality of service for the price paid for electricity. The nominal change in rates in April will cover our cost increases and keep us financially strong.

In this issue and future issues of *Penn Lines*, along with bill-stuffer materials, and our spring member meetings, we will be communicating the changes in our electric rates and what that will mean for your electric bill. We will also be providing suggestions for you to consider to make your own electric use as efficient as possible. Electric energy is still a great value for what it provides for you and continues to be very competitive with other energy alternatives. ☀

Michael D. Tirpak
General Manager & CEO

Average annual costs increases – how do they affect you?

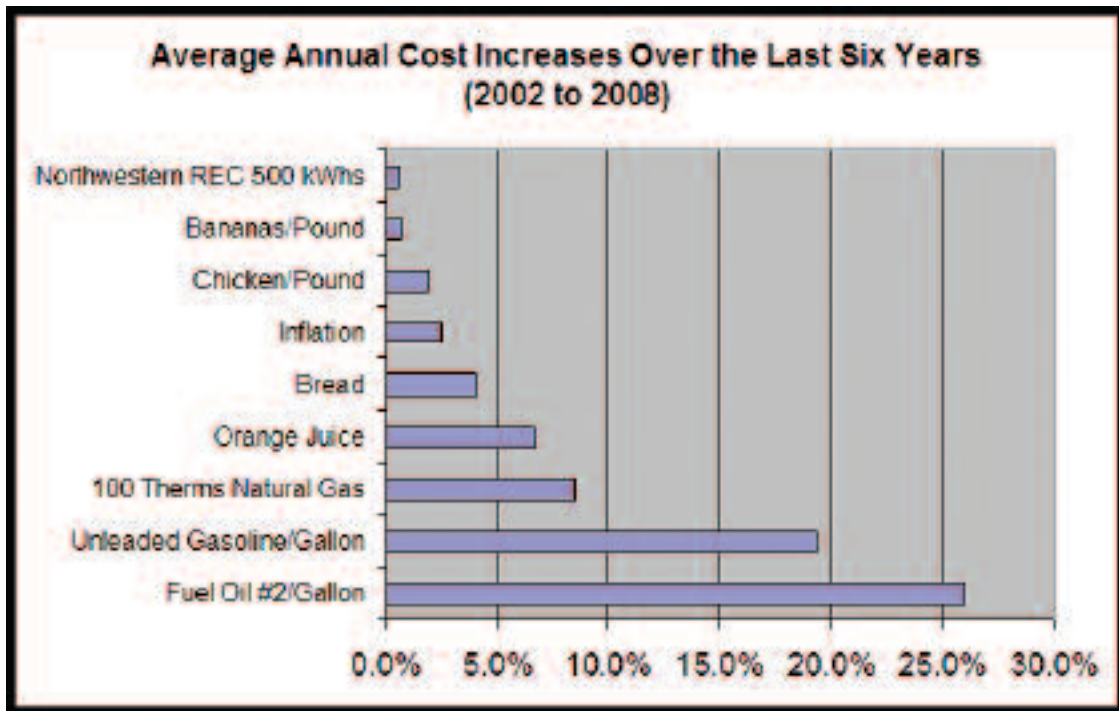
Based on U.S. Department of Labor statistics, the inflation rate from 2002 to 2007 is 15 percent. What does this mean? Inflation measures the value of money. For example, in 2002 \$1 could have bought you a “widget,” but in 2007 it would have taken \$1.15 to purchase that same “widget.”

The Consumer Price Index is another means of measuring consumer economic changes. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The adjacent table is based on information from U.S. Department of Labor statistics and

it shows the average annual cost increases over the last six years for the items below. For example, the rate of inflation from 2002 to 2008 was 15 percent. This results in an average annual rate of inflation over each of those six

years of 2.5 percent (15 percent divided by 6). The Northwestern REC 500 kWh shown is the single-phase residential rate from 2002 to April 1, 2008. This shows an average annual increase of 0.6 percent per year.



Try out our Online Energy Advisor

Check out our website at www.northwesternrec.coop and click your way through our Online Energy Advisor. This program will help you discover ways to make your home and your energy-use habits more efficient, as well as provide lots of ideas to save you money.

Before you start, gather your last 12 months of utility and heating or cooling bills. You can request your use history from Northwestern REC by sending an e-mail to info@northwesternrec.coop.

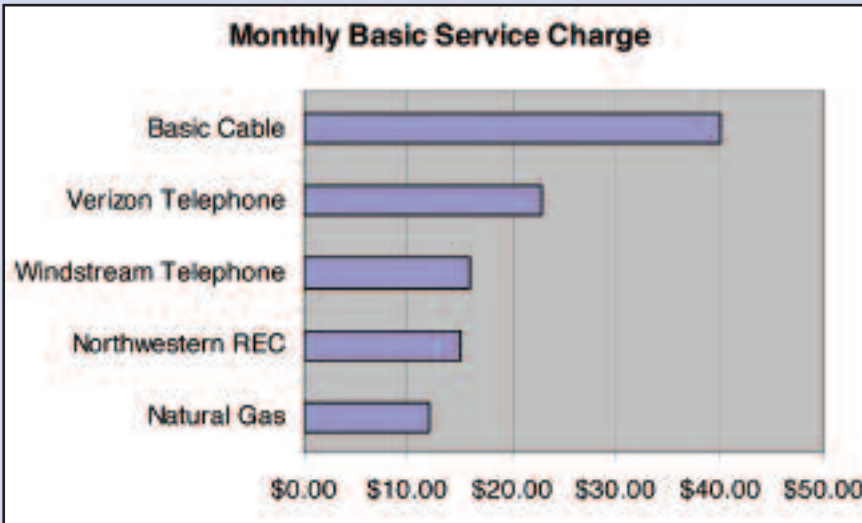


Adding up the "Basics"

Listed below are some of the monthly area utility services that co-op members may have. For your co-op, the number shown below reflects the

April 1, 2008, monthly cost of service for single-phase residential members. It's easy to see how these "basic" fees can add to your monthly costs.

Recently we have seen phone and cable companies combining services to include what is called "triple play" (phone, cable and internet) all in one service provider. Likewise, members who choose to heat with electric get a "double play" as this will eliminate the need for a fee to another utility service – such as natural gas or propane. With costs rising, it's important to continue to explore ways to save. Just eliminating the smallest of these monthly fees would save a consumer \$144 per year. Watch future *Penn Lines* articles for more ways to save!



Material cost quiz – what do you think?

The rate of inflation from 2002 to 2008 is stated at 15 percent by the U.S. Department of Labor. While that seems like a lot, it doesn't compare to some of the increases seen at the co-op for costs of materials. The costs of many of the materials used on a daily basis to provide electric service to our members have even increased over 100 percent – yes, they have more than doubled in six years! Much of this is driven by the demand in China for these same products or the elements that are used to produce the product. See if you can guess how much each of these items has increased since 2002, keeping in mind that the rate of inflation for that same time period was 15 percent.

- 1) One foot of No. 6 soft-drawn copper _____ percent increase since 2002
- 2) One 40-Foot Class 5 utility pole _____ percent increase since 2002
- 3) One foot of 1/0 ACSR (Power Line) _____ percent increase since 2002
- 4) One residential transformer _____ percent increase since 2002
- 5) One standard bucket truck _____ percent increase since 2002

- Answers: 1) +156 percent
 2) +26 percent
 3) +66 percent
 4) +78 percent
 5) +23 percent



Co-op service offerings

Water Heater Maintenance – Participants in our Load Management Program receive 24-hour free water heater service and a free replacement tank when necessary.

Outdoor Lighting – We will install and maintain an outdoor light on an existing pole for a monthly fee.

Co-op Courtesy Plan – Provides extended due dates for disabled or retired members.

Third-Party Notification – A third party will be notified before a member is disconnected for non-payment.

Gift Certificates for Electricity – Makes a great present for anyone on your list.

Medical Alert – Members who have life-sustaining equipment that operates on electricity should notify us.

Special Rates – Available for interruptible electric heat and other interruptible electrical loads.

Zipcheck – You can have your monthly bill automatically deducted from your bank account to save you time and postage.

Operation Round Up – You can help others by having your electric bill rounded up to the next dollar amount and then donating the difference between your actual bill and the rounded-up amount to Member to Member, Inc., which assists your fellow cooperative members who have difficulty paying their electric bills.

Co-op PowerPlus™ – A rewards card with special offers.

Member \$en\$e – Provides coupons to shop at member-owned businesses and free classified ads available to all residential members.

Electric Safety Demonstrations – Two safety demonstrations to choose from: a portable tabletop demonstration and a non-portable demonstration.

Stop in or give us a call at 1-800-472-7910 for more information on any of these services.

The co-op way keeps rising electricity rates in check

Many Americans do business with a cooperative every day. Co-ops exist in almost every industry from energy to news reporting to health-care. Co-ops, a huge part of the economy in the United States, serve some 120 million members, or four in 10 Americans.

While cooperatives may resemble


when Ben Franklin started the first cooperative in Philadelphia.

A cooperative, however, is still going to see its operating costs rise when the price of doing business increases. There's no better example of this than right now with the cost of fuel at the gas pump. We typically put between 450,000 and

500,000 miles a year on our company vehicles. Needless to say, fuel costs alone have risen dramatically over the last four years. We work every day to achieve operating efficiencies as we face these cost increases.

At a time when Americans' electric bills are going up around the country – in some places by as much as 40 percent – the co-op

way of doing business is an important way to keep costs manageable.

We are not profit-driven and we don't have to impress Wall Street every quarter. Rather, we are service-driven and operate at cost. You can bank on the cooperative difference. In fact, Northwestern REC has returned over \$21 million to its members in the form of capital credits. In January, we returned \$959,523 to our members in capital credits. That's something that you don't get when dealing with many other utilities. 



most companies in some ways, they are very different in others. One of the most important differences is that co-ops are not driven by profit while for-profit companies aim to return a profit to their shareholders. After all, these shareholders have invested their money in the business.

A co-op's mission, on the other hand, is to meet its members' needs for goods or services. Electric co-ops are part of this tradition of doing business, one that has a long history dating back to 1752