

Northwestern  
Rural Electric  
Cooperative  
Association, Inc.

Your Touchstone Energy® Cooperative 



One of 14 electric  
cooperatives serving  
Pennsylvania and  
New Jersey

Northwestern REC  
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Cambridge Springs, PA 16403  
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<http://www.northwesternrec.coop>

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

Mary Mulligan-Haines, Editor

FROM THE MANAGER & CEO

# Will the end of rate caps for Penelec affect co-op members?



by Michael D. Tirpak  
General Manager & CEO

**I GET THIS** question quite often lately, the most recent time on a trip to my barber. It seems the newspaper articles that appeared this winter with predictions of large rate increases in the coming years managed to get some attention. Furthermore, we've also read in the newspapers about Pennsylvania state legislators debating the rate cap dilemma. My short

answer to this question is that Northwestern REC members should not worry about the end of the Penelec rate caps as the issue does not directly affect our Pennsylvania co-ops. The longer answer is really about the continuing fallout from the 1996 electric competition legislation.

You might recall that Pennsylvania was one of the leading states in the country to pass electric deregulation legislation in the form of the Electric Generation Customer Choice and Competition Act of 1996. Investor-owned utilities (IOUs) like Penelec were required to either sell their generation assets (power plants) or spin them off into a wholly-owned subsidiary so that the generation of electricity could be deregulated. Penelec (owned by GPU at the time) chose to sell its generation facilities while other companies chose to form subsidiaries, but all of the IOUs were put under rate caps in an effort to transition to generation deregulation. The conventional wisdom at the time was that competition at the generation level would lower costs to consumers over time. What has actually happened over the past 12 years is that the price for natural gas and oil, along with other market pressures, has dramatically increased the prices of generation electricity on the open market, which is where all of the IOU consumers must buy their power when the

rate caps expire in a couple of years. This is why the articles in the newspapers have appeared and the discussions are occurring in Harrisburg.

The cooperative approach to electric competition has been a little different than the IOU version. The Pennsylvania electric co-ops formed a separate cooperative, Allegheny Electric Cooperative (Allegheny), over 50 years ago to purchase and own electric generation for the members of our Pennsylvania and New Jersey distribution electric cooperatives. We did not change this co-op model during the transition to electric competition as the IOUs were forced to do under the legislation of 1996. Today, Allegheny owns about 70 percent of the electric energy needs of our members and buys the other 30 percent from the market. This makes us much less vulnerable to the large price increases in the generation market of today. Allegheny is projecting stable rates over the next few years and moderate increases in the future as new generation is either built by Allegheny or purchased from the market.

Northwestern REC officials are looking closely at many ways to make our distribution cooperative more efficient to reduce the effects of inflation on our operations, as well as continue to provide a high level of service and electric reliability for our membership. I strongly believe that our cooperative's model for the new world of deregulated electric generation is the best long-term solution for consumers/ratepayers. This is why I can tell our co-op's owner-members to relax a little and not worry about the headlines of the IOUs. Co-ops are different and we are people you can count on! ☀

Michael D. Tirpak  
General Manager & CEO

# Real-time rates – are they for you?

With the conversion to the new load management system, or Advanced Metering Infrastructure (AMI), we are just beginning to uncover the operational advantages and efficiencies that your co-op will gain.

Currently, the majority of our members have a mechanical meter that measures their kilowatt-hour (kWh) use each month. While from time to time a member might question the accuracy of these mechanical meters (usually when they have a high bill), truth be told, if these mechanical meters fail, they typically fail by running slower (resulting in a lower bill) rather than faster.

As we install the new Advanced Metering Infrastructure, these mechanical meters will be replaced with electronic meters, also known as “smart meters.” This higher accuracy

will not only decrease line-loss from these slower meters, but will also enable the co-op to offer more options in the future for real-time rates.

## What exactly does that mean?

Real-time rates offer members pricing based on real-time (current) market conditions. A simple analogy would be the early-bird discount you might find at a restaurant. If you change your eating time and eat earlier, you can save some money. If you choose to eat during busy times, you will pay full price, or perhaps even a premium. The key is that the consumers make the decision of whether to use the energy during peak periods or not. If they choose to use electricity during peak demand, they will pay more for those kWhs. If they choose to defer use to off-peak periods,

they will pay less for those kWhs.

The wonderful thing about this is that new technologies are being unveiled every day that will make this somewhat painless on the homeowner. For example, imagine on a hot summer day when power costs are peaking, the co-op sends a message to your meter that we need to control power. The meter then sends a signal to your thermostat that raises the temperature to 78 degrees during the peak period. When the peak period is over, another signal is sent to your electric meter. The meter then sends a signal to your thermostat telling it the control period is over. Your thermostat goes back to 75 degrees and your home is cooled down before you arrive home from work. You have helped control energy costs and you didn't have to lift a finger!

This same technology will enable the cooperative to further help members who have a concern regarding their kWh use. We will be able to provide real-time energy use data for members to better determine when the energy is being used in their home or business. ☀

## Call Before You Dig

**CONTRACTORS, HOMEOWNERS MUST DIAL 8-1-1 BEFORE EXCAVATING**



Sen. Bob Robbins (R-Mercer) is reminding property owners and professional excavators that they must call PA One Call at 8-1-1 to locate and identify underground utility lines before they start excavation work.

“The truth is that this call is not only required under state law, but it is also an essential safety precaution,” Sen. Robbins notes. “It is important to know if there are any underground cable, electrical, water or gas lines in the area before a project is started.”

If a property owner is doing the actual work, then it is the responsibility of that property

owner to call 8-1-1. If the property owner has hired a contractor to do the work, the contractor must make the call.

Once the call is made, utility companies will visit the site to mark the location of their underground lines. It is important to respect the markings, and excavation should be performed only after confirming that all utilities have marked the location of their lines. In addition, it is essential to remember that locating underground lines is an inexact science and location marks can range from 18 to 24 inches from the actual lines.

More information about PA One Call is available online at: [www.paonecall.org](http://www.paonecall.org)

Contact:  
Michael Hengst  
717/787-1322

# Critical peak pricing a possibility of the future

**WE HAVE BEEN OFFERING** an off-peak rate for over 20 years. This type of rate offers a discount for moving energy use to less expensive time periods (for example, heating with an electric thermal storage furnace that stores heat during the night when most are sleeping and energy use is minimal and less expensive). Members who choose to do this save 42 percent off the standard rate. The real-time or time-of-use rates discussed in the adjacent article are similar to this off-peak concept, except they charge the end-users the appropriate rate based on the time of day in which they use their energy.

Critical peak pricing, or some call it super peak pricing, takes this one step further. There are a number of “triggers” that may make a critical peak. These may include:

- ▶ High system peak demand and/or low generation reserves.
- ▶ High wholesale electricity market prices.
- ▶ A special alert issued by grid operator PJM for reliability or other matters.

This type of rate has been researched in California since 2003. The way it works is very similar to how we use our load management system to control our energy peaks on a daily basis. However, it is used on those critical days, such as an 80-degree summer day, when you might hear radio and television spots asking consumers to reduce energy use. This rate would attempt to send a pricing signal to consumers to reduce their energy use.

Consumers decide if they want to reduce their energy use during these critical peaks. If they choose not to reduce electricity use during a critical peak, they will pay a higher per kilowatt-hour (kWh) price for power used during that time. Using the technology of our new load management system and a smart thermostat, end-users can not only help reduce overall energy costs, but manage their own household and/or business energy costs as well.

The California Energy Commission Impact Study done in 2003 studied the use of load management for three

groups: 1) a control group on a traditional, non-controlled, flat rate; 2) a group with a smart thermostat with a flat rate capable of receiving signals from the utility, but without time varying rates; and 3) a group with a smart thermostat capable of receiving signals, with critical peak prices that varied in duration. During critical peaks, these customers faced “super-peak” prices of \$.57 or \$.77 per kWh. As a result of the

critical peak events during the summer of 2003, the second group reduced electricity use by 23 percent and the third group reduced electricity use by 48 percent compared to the first group that did no load control.

With the installation of our new load management program, we will continue to develop new programs and services to meet today’s energy demands. Stay tuned! ☀

**Home Energy Calculator**  
home energy use costs at your fingertips

**Try Our New Online Home Energy Cost & Savings Calculator**

**Estimate your home's monthly and annual energy costs**

**See how much changes to your home will save**

**View charts showing where your energy dollars are going**

**FREE on our website:**

[www.northwesternrec.coop](http://www.northwesternrec.coop)

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Recommended by United to Energy Efficient Future  
**Energy Saving Tips!**

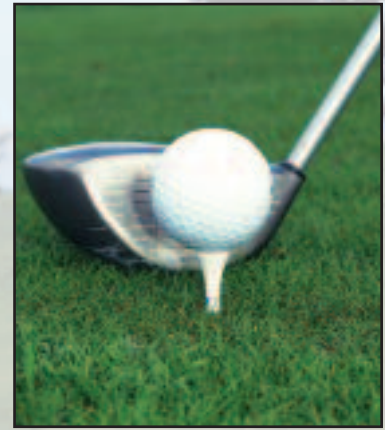
# Member-to-Member, Inc. Culbertson Hills Golf Club – Edinboro

**Wednesday, June 25**

**Shotgun Start – 9 a.m.**

**Cost per player – \$75**

**Cost per team – \$300**



**Mulligans & Skins included in entry fee  
50/50 and other special events available**

**Line Prizes & Team Prizes to reward superior skills**

**Door Prizes, lunch on the course and dinner  
immediately following completion of play**

The Member-to-Member, Inc. program collects contributions to help Northwestern REC members with financial difficulties keep their electric bills paid.

Participants donate \$28. Thank you.

**Sign-up deadline is June 12.**

*“Power is the ability to do good things for others.”*  
*Author: Brooke Astor*

PLAYERS-Please fill out and return this form along with your check made payable to Member-to-Member, Inc., P.O. Box 207, Cambridge Springs, PA 16403. Please include all players if signing up as a team. You may fax the form to 814/398-8064 if paying with a credit card.

Team Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Player 1. \_\_\_\_\_

Player 2. \_\_\_\_\_

Player 3. \_\_\_\_\_

Player 4. \_\_\_\_\_

Credit Card: VISA      MasterCard

Account # \_\_\_\_\_

Expiration Date \_\_\_\_\_

3-Digit Security Code \_\_\_\_\_