

A letter to the members of Nolin RECC

For the past two months you have received an Energy Update explaining important issues facing Nolin RECC and its members. Hopefully, these updates are helping you to better understand the operations of your cooperative.

This month, I would like to explain capital credits and margins. I will also address a rate increase approved by the Kentucky Public Service Commission for our power supplier, East Kentucky Power Cooperative (EKPC).

CAPITAL CREDITS

What are Capital Credits?

Capital credits refer to any income above and beyond the normal cost of doing business. Nolin RECC sets its rates to bring in enough money to pay operating costs, make payments on any loans, and provide an emergency reserve. At the end of each calendar year, the co-op subtracts those operating expenses from the total amount of money collected during the year. The balance is the margin. That margin is retained for operating funds as long as needed, but is eventually returned to the members as capital credits.

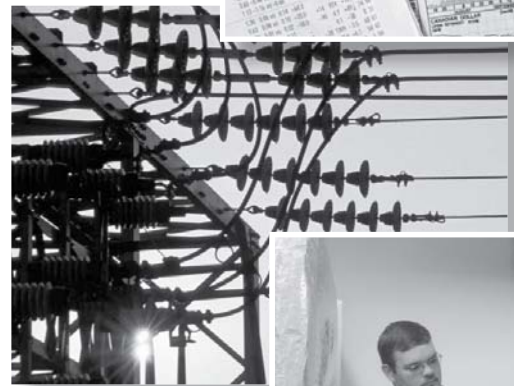
The amount of your capital credits is determined by how much electricity you bought during the year. Your June electric bill reflects the amount of your capital credits earnings last year.

When was the last time Nolin paid Capital Credits?

Nolin last paid capital credits in December 1999. At that time, we paid \$4.5 million to our members who were on service during 1985, 1986, and 1998. In addition, Nolin paid about 54% of capital credits to members on service during 1987. Typically, capital credits are paid on a first-in, first-out method. In order to express appreciation to newer members, the Nolin Board decided to also return capital credits to members on service during 1998.

When will I receive Capital Credits?

It isn't always possible to return capital credits to members on a timely basis, but we try to pay them as soon as possible. Payment of capital credits will depend upon the financial condition of Nolin. If Nolin has a year with extenuating expenses like storm damage, the margins must be used for operating capital to keep the co-op financially strong and maintain reliability.



Mickey Miller
President & CEO

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Capital credits are not paid the same year the electricity is used and they are not refunded when you discontinue service. However, if you move and are no longer a member of the cooperative, we need your new address to ensure you receive your capital credits when they are paid.

Capital credits may be released to executors or administrators of co-op members' estates at a discounted rate. Applications for estate payments of capital credits may be obtained at the Nolin RECC office.

EKPC GRANTED RATE INCREASE

The Kentucky Public Service Commission (PSC) approved a request by Nolin RECC to pass along to its members a rate adjustment from East Kentucky Power Cooperative (EKPC), our wholesale power supplier.

The new rate is effective April 1, 2009. The PSC order will increase the average monthly residential power bill by about \$6.75, which is approximately 6 percent. The rate adjustment is a direct pass through from EKPC to Nolin RECC members – Nolin does not keep any of this increase.

EKPC sought the rate increase in order to recover the costs associated with a new \$528 million generating unit and to ensure that the cooperative continues to meet its financial obligations. The new power plant is needed to meet increasing demand for power from the members of Kentucky's cooperatives.

Nolin and EKPC are both not-for-profit, member-owned cooperatives and our rates are regulated by the PSC, a government agency that oversees utilities in Kentucky.

ENERGY EFFICIENCY

With the cost of energy continuing to rise, members are urged to take advantage of Nolin programs designed to help reduce electricity consumption.

Nolin offers FREE energy audits to members. Professional energy advisors will visit members' homes, analyze their power usage, and offer tips for improving efficiency.

One of the easiest and quickest ways you can manage your electric bill is by enrolling in Nolin's budget billing program. This program allows members to pay an average dollar amount each month based on the previous 12 months' usage. The service is provided at no cost and is an excellent way to smooth out the month-to-month variability of power costs.

Any time you need energy advice or need to talk with a representative about your electric bill, please don't hesitate to call Nolin RECC at 270-765-6153.

Sincerely,



Michael L. "Mickey" Miller
President and CEO



A Touchstone Energy Cooperative 