

A WORD ABOUT YOUR ELECTRIC BILL

Nolin members know that it is more than just the rates that affect the bottom line on their electric bills. Honestly, our rates are one of the lowest in the nation. In addition to cost per kilowatt-hour, there are government mandated charges on your electric bill. Two line items that you will see each month are the Environmental Surcharge and the Fuel Adjustment Clause (FAC), and they both have an impact on the total cost you pay each month for electricity.

What is the Environmental Surcharge?

In recent months, members have been asking two questions about the environmental surcharge on their bills. What is it, and why is it going up?

The environmental surcharge pays the cost to meet the Environmental Protection Agency (EPA) regulations on power plant emissions. All regulated electric utilities in Kentucky have this charge.

To comply with EPA rules, our power supplier, East Kentucky Power Cooperative, has had to install expensive equipment like scrubbers. The surcharge helps to recover operation and maintenance costs of this equipment and other environmental costs.

The amount varies because operation, maintenance and compliance costs change from month to month. Also, the environmental surcharge is calculated on a percentage of co-op revenue, which varies each month.

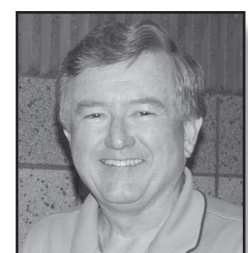
In recent months, the surcharge has been increasing to recover construction costs incurred so far for adding required pollution control equipment at the Cooper Station power plant, located near Somerset.

What is the Fuel Adjustment Clause?

The Fuel Adjustment Clause (FAC) is used by all electric utilities in Kentucky to recover two key costs: it helps to pay for fuel needed to run power plants and for the power that our supplier buys from other companies to meet demand. It has nothing to do with the price of gasoline or diesel for our trucks.

Regulated electric utilities in Kentucky have a FAC to recover these two key costs.

OVER



Mickey Miller
President & CEO

Our power supplier uses a formula defined by state government regulation to determine the monthly FAC, and state regulators make sure that only proper expenses are included. In Kentucky, it takes about two months from the time when the costs are incurred before the expense appears on your bill.

Please keep in mind that there is no profit involved, and that every penny from the FAC goes directly to our power supplier.

Nolin members often ask why the FAC changes so much each month. The reason that your FAC changes monthly is because the costs for coal, natural gas and purchased power change, along with the weather.

Weather alone can dramatically change the fuel charge. For example, in extremely cold temperatures, your home's heating system operates much more frequently along with thousands of other members.

If our power supplier cannot meet the increased demand during those times, they may have to purchase additional power. That will also increase the FAC.

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 and increasing savings.

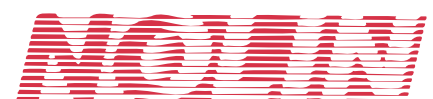
One of the easiest and quickest ways you can manage your electric bill is by enrolling in Nolin's budget billing program. This program allows members to pay an average dollar amount each month based on the previous 12 months' usage. The service is provided at no cost and is an excellent way to smooth 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. We also encourage you to visit our web site at www.nolinrecc.com to learn how you can take simple steps to reduce energy consumption.

Sincerely,



Michael L. "Mickey" Miller
President and CEO



Rural Electric Cooperative Corporation

A Touchstone Energy[®] Cooperative 

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