

July 2007

What's CURRENT



NOVEC Board Approves \$12.3 Million Special CASHBACK Return

Just in time to help offset the higher summer electric bills, the NOVEC Board of Directors approved a special CashBack distribution. Approximately \$12.3 million in special CashBack is being returned to current customers who have been on the NOVEC system since at least 2005. This month, a total of \$6.3 million will be returned to current customers as a credit on their electric bill. In August, another \$6.0 million in CashBack will be returned to current customers. This CashBack return represents 2.5 percent of remaining capital credit balances for the years 1988-1998 plus 4.5 percent for the years 1999-2005.

CashBack is a unique benefit of Cooperative membership, allowing customers to share in NOVEC's financial success. While margins of other companies go to stockholders who may or may not be customers, NOVEC's margins belong exclusively to customers. These margins are returned as CashBack distributions when financial conditions permit, as approved by the NOVEC Board of Directors.

*Since 2003,
NOVEC has
returned more
than \$132
million in
CashBack to
customers.*



Join the Crowd at NOVEC's 2007 Annual Meeting

Wednesday, September 26

6 p.m. dinner ~ 7:30 p.m. meeting

Battlefield High School

15000 Graduation Dr ~ Haymarket, VA 20169

(Inclement weather date: October 24)

Wholesale Power Costs Continue to Rise

What NOVEC is Doing to Control Them

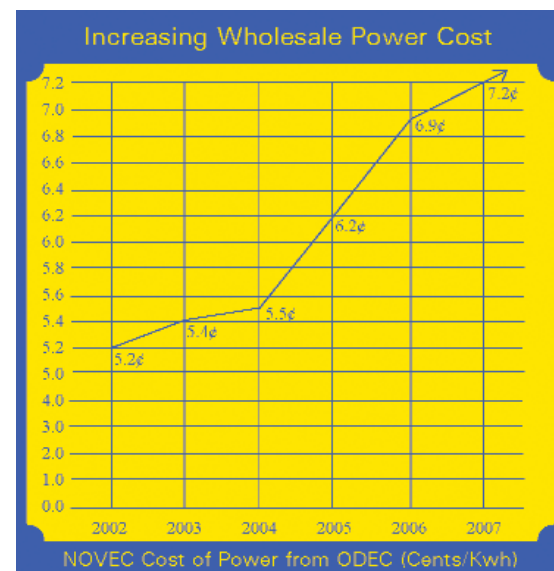
The rising cost of wholesale power is a major concern and focus of the NOVEC Board of Directors and management team. In previous articles (April and May 2007, available at our Web site

newsroom) we explained where we purchase our power and why the cost has risen so dramatically. Not content to stand idly by, NOVEC has actively sought to gain the flexibility necessary to provide our customers with

competitively priced electricity. Our efforts over the past ten years are summarized below.

Obligated to Our Customers

Ten years ago wholesale power cost was less than 66 percent of our operating expense. It is now in excess of 81 percent, which explains the concern of NOVEC's board and management team. Under the terms of our power supply contract, and under the bylaws that govern voting control at Old Dominion Electric Cooperative (our power supplier), more than four-fifths of our expenses are, essentially, out of our control. Additionally, our current all-requirements power supply contract with ODEC does not expire until 2027. However, we feel strongly that our primary obligation is to supply electric power to our customer-owners at a competitive price. Accordingly, negotiations were initiated with ODEC in 1997 to restructure our wholesale power contract, allowing us to look elsewhere for some of our power supply. We believe that restructuring the current wholesale power contract can be



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Energy-Saving Cooling Tips

Ahhh... to spend the hot summer sitting under a palm tree! Unfortunately that's not how it is for most customers. The reality is that hot days and high humidity do not make home cooling easy. And, the extra heat and moisture from cooking, washing, and bathing make things worse. To help keep cool, try these energy- and money-saving cooling tips:

- ▶ Close window coverings on east, south and west facing windows to block the sun during the day.
- ▶ Set the air conditioner thermostat to 78 or above to stay comfortable and save money.
- ▶ Turn off lights when they are not needed.
- ▶ Schedule heat-producing chores such as baking, cooking and laundry during the cooler morning and evening hours. Grill dinner outdoors.
- ▶ Use kitchen and bathroom exhaust fans to remove heat and steam. Remember to turn them off.
- ▶ On cooler evenings, turn off air conditioners and open windows. Run whole house, window, ceiling or floor fans.
- ▶ Have a qualified heating and cooling technician check the central air conditioner unit annually. Change filters monthly for peak efficiency.
- ▶ Replace standard incandescent light bulbs with compact fluorescent light bulbs, which use 75 percent less energy and last much longer.
- ▶ Install attic fans. They pull heat out of the attic, which cools the living space below.
- ▶ Look for the Energy Star® label when shopping for new appliances.
- ▶ This fall, plant shade trees on the southern and western sides of the home. One mature shade tree over the roof can lower indoor temperatures as much as 15 degrees.

Wholesale Power Costs Continue to Rise *continued from front*

mutually beneficial. "It is only fair to our customers that we pursue lower cost power that may be available from other wholesale suppliers," Stan Feuerberg, NOVEC President and CEO commented. He explained that since we are the largest of the 12 electric distribution cooperatives who own ODEC, and our electric load is growing faster than the other members, it would make economic sense for the others to allow NOVEC the opportunity to supply its own growth requirements.

"NOVEC has stipulated repeatedly that it will pay for its share of ODEC's existing resources. We think it is a classic win-win situation for both parties," Feuerberg emphasized. Unfortunately, the others have not viewed the situation in the same light.

FERC Involvement

In January 2006, as negotiations with ODEC stalled, NOVEC petitioned the Federal Energy Regulatory Commission to exercise its authority under section 206 of the Federal Power Act to reform (*i.e.* restructure) our current wholesale power contract with ODEC to allow us to obtain new power resources from competitive suppliers. As part of the request, NOVEC reaffirmed its commitment to continue paying its share of existing ODEC power resources. However,

...our efforts have been motivated by one goal — to fulfill our responsibility to our customers to look for ways to reduce costs..."

in early March 2006, FERC denied this request. In September 2006, FERC denied NOVEC's petition for a rehearing, the first step in the appeal process. Since then, NOVEC has appealed FERC's denials to the U.S. Circuit Court of Appeals for the D.C. Circuit. NOVEC's brief was filed in May, and we are awaiting the court's decision on whether oral arguments will be heard by the court of appeals.

"I am disappointed by FERC's decisions not to even allow NOVEC the opportunity for a hearing on the issue of contract reformation," Feuerberg commented. "There is case law that requires FERC to be sensitive to the financial impact upon retail customers caused by high energy prices; these denials seem to sidestep that responsibility," he said. "Regardless of how the appeal turns out, our efforts have been motivated by one, and only one, goal — to fulfill our responsibility to our customer-owners to look for ways to reduce costs for them."

Feuerberg added, "Despite the frustrations of the negotiating process with ODEC and the FERC denials, NOVEC's board and staff firmly believe in our mission to provide you with the most competitive rates possible. We will keep you updated on our efforts to secure competitively priced power for all of our customers."

What's Current is produced by the NOVEC Public Relations Department for Cooperative customers. If you would like additional information or if you have suggestions for future articles, please contact: NOVEC PR, P.O. Box 2710, Manassas, VA 20108 or send e-mail to: ssmarrelli@novec.com

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