

Have You Heard?

2016 Power-Cost-Adjustment Credit in Effect All Year

For the fifth consecutive year, NOVEC customers are receiving a power-cost-adjustment (PCA) credit on their monthly bills in 2016.

The 2016 adjusted rate is a credit of just over 1.2 ¢ per kilowatt-hour for the entire year. Approved by the Virginia State Corporation Commission, this credit translates to an estimated reduction of \$15 per month on the average residential energy bill, which is about 1,200 kWh.

As a customer-owned cooperative, NOVEC is committed to controlling costs and purchasing electricity at the most competitive prices available. Also, as a regulated cooperative, NOVEC does not earn a profit on the wholesale power



purchased or generated for its customer-owners. Therefore, any dollars in excess of power-supply costs are returned to customers through a PCA credit.

“NOVEC customers will be paying less per kilowatt-hour for their energy used in 2016 than they were when NOVEC took over full responsibility for its power supply activities back in 2009,” says Stan Feuerberg, NOVEC President and CEO. “The NOVEC power-supply team continues to stay focused on providing customer-owners with the absolute best price-value relationship for their power.”

What is a Power-Cost-Adjustment Credit?

In Virginia, NOVEC and other electric utilities regulated by the State Corporation Commission are only allowed to earn a margin or profit on infrastructure, and not on the electricity produced or delivered through the infrastructure. Simply stated, there is no mark-up allowed for expenses associated with the wholesale power the Co-op purchases or generates.

NOVEC estimates a month-by-month power-cost budget in advance of the calendar year. This is based on the best available pricing information and expected energy consumption of customers.

“The power supply budget includes hourly energy already contracted for, the economic dispatch of NOVEC’s resources, and hourly purchases from the market for any energy difference needed to meet the estimated consumption,” says John Rainey, NOVEC senior energy contract originator.

Despite advanced computer modeling and fixed-price contracts, temperature extremes and the response of customers to such conditions make power requirements estimating a challenge. For example, a sustained heat wave or cold snap can cause an increase in electricity demand, which may cause actual power purchases to exceed the budget.

Although month-by-month results vary, the overall target is to provide power at or below projected costs for the year.

“Favorable power-market conditions and power-supply management decisions have allowed us to have a power-cost-adjustment credit on customers’ monthly bills since January 2012,” says Gil Jaramillo, NOVEC manager of business development and energy services.

Thanks to improved market conditions, operating efficiencies, and the power-supply team’s success, customers have been paying 9.25 percent less for the power they consume than they were paying before NOVEC assumed full responsibility for power-supply purchases in 2009.



With life’s many ups and downs,
down can be a very good direction.

In 2016, the average home’s power bill from NOVEC will **go down by an estimated \$15 a month**. That’s because NOVEC, a not-for-profit electric cooperative, provides wholesale power to its customers at cost. Any changes in that cost are passed along through an annual power cost adjustment on bills.

That makes **down** a very good direction.

NOVEC Customers Pay Less for Electricity

The United States' economy has taken the American people for a roller coaster ride since the Great Recession. Specifically looking at the average price of consumer goods, the Consumer Price Index saw extreme changes in annual variations from less than a one-percent increase in 2010 to a 5.5-percent jump in 2008.

The price of goods and services, for the most part, continue to rise annually. However, some price jumps are more drastic and occur at a quicker rate.

In general, the electric utility industry has followed the same economic trend over this same time period. Since the beginning of 2009, the national price per kilowatt-hour has increased more than 8 percent.

January 2009 is a significant date in NOVEC history as it is when the Co-op took over full responsibility of its power supply. Since then, NOVEC's highly-skilled and dedicated power-supply team has worked diligently to reverse this economic trend. As a result, the price per kWh residential members pay for electricity consumed is more than nine percent lower than it was to end 2008.

Additionally, in 2010 the Co-op filed for a rate reduction with the Virginia State Corporation Commission and received approval the next year. Altogether, residential NOVEC members pay 13 percent less per kWh today than they did seven years ago.

In this same timeframe, nearly every other daily consumer good has increased in price. Some have been slight increases staying in line with inflation, but others have hit Americans where it hurts: the pocketbook.

According to the Bureau of Labor statistics, the price of one dozen eggs increased by 27 percent; a pound of ground beef rose by 34 percent; and Americans pay more than 54 percent more today for a pound of bacon than they did at the end of 2008.

"While consumer prices, including electric costs, have risen modestly since 2009, NOVEC has skillfully managed its power supply and electric distribution business to produce electricity prices that are lower today than they were in 2009," says Howard Spinner, NOVEC manager, regulatory affairs. "These changes in relative prices, when combined with NOVEC's ever improving service reliability, produce increasing value for its members as time goes by."

Americans pay more today for daily goods and services than just a few years ago; however, NOVEC members pay an estimated \$15 less per month on the average residential energy bill than they did prior to the Co-op taking full responsibility for power-supply.

Cost of Common Goods

Average price increase of expenses from 2008 to 2016, in comparison to your cost of electricity.

