

Facts About Sawnee's WPCA Charge

The staff of Sawnee EMC is often asked, "What is the wholesale power cost adjustment, or "WPCA", charge on my electric bill?" We would like to take this opportunity to explain "what" the WPCA is and "why" you see it each month on your billing statement.

Its main purpose is to address the cost differential between the price of power and what would normally be billed through the standard rate blocks. Since wholesale electric energy costs change constantly, most power companies must have a flexible mechanism that allows them to adjust their budgeted revenue. Also, this factor addresses changes in operating costs that are not reflected in the base rates of the Corporation. Without this factor, the basic rate components would be constantly changing, which is time consuming, expensive and virtually impossible to manage.

Wholesale purchased power costs are driven primarily by the cost of the "fuels" used to produce your electricity; the cost of these fuels (such as coal, natural gas, and nuclear) change regularly. During 2008, they climbed to record high levels that were beyond anyone's expectations.

While natural gas, which is generally used during the summer to generate "peak power", has come down in price...global demand for coal, which is used year-round for base power generation, has kept its unusually higher-than-normal price.

Another factor leading to higher electricity costs is increasing environmental restrictions by federal and state governments that are being placed on existing and new power to meet clean air, fine particulate and other regulations. These environmental restrictions are meant to help reduce emissions and produce cleaner air and water; however, they are also increasing the cost of your electricity. This issue will only increase as additional regulations come into play, and should a future restriction on carbon (e.g. carbon tax) occur in the near future, this action will push electricity cost even higher.

Capacity costs are also driving wholesale electricity prices higher. These are fixed costs paid to ensure that power is available for Sawnee EMC's members when you need it. Capacity costs are directly related to the fixed and capital costs associated with the construction and maintenance of power generating facilities. Population growth, larger homes, and general increases in electric energy require that new generation facilities be constructed; these new facilities are more expensive...this, too, is driving costs up.

The last component in the WPCA calculation is the costs to operate the Cooperative that are currently not included in base rates. These included increases are in core operating expenses such as employee costs, fixed operating expenses and other basic business expenses. Avoiding and controlling cost is "job one" and the staff of Sawnee is very focused on keeping our operating costs as low as we can each and every day, and especially in these trying economic times.

Sawnee EMC recognizes that increased costs translate into higher electric bills and this has caused a

strain on many of our members' budgets and their ability to pay.

That is why we remain dedicated to educating and providing you with energy-saving tips and strategies to help keep your energy usage as low as possible. Also, we offer grants to support your energy efficiency efforts. We offer cash incentives to "offset" some or all of the cost of upgrades that save on electric energy. Please read this newsletter...and future ones...to continue to learn how you can make energy efficient decisions at your home.

If you have questions about the WPCA or need more information, please contact our Customer Call Center at (770) 887-2363 or via email at customerservice@sawnee.com.

WPCA - Get the 411

- It is driven by the cost of "fuels" used for generation
- Electricity costs are increasing due to environmental restrictions
- Capacity costs are also driving prices higher
- The WPCA aids in the costs to operate the Cooperative