



Frequently Asked Questions (FAQ) for the New Territory

1. Why did the Cooperatives want to purchase the Allegheny Power (Potomac Edison Company) service area?

The Cooperatives see *Allegheny Energy's decision* to sell its Virginia service area (Potomac Edison Company) as an opportunity to reduce per-unit operating costs (which benefits our customer-members) and to expand the cooperative business model to meet the energy needs of Allegheny's current customers. Recognizing the potential benefit to both Cooperatives, REC and SVEC collaborated on their bid.

2. How can this be good for Allegheny Power (Potomac Edison Company) customers when our rates are going up?

First, Allegheny customers will not transition to the Cooperatives' rates immediately. Second, while Allegheny's rates are currently lower than the Cooperatives', they would not have remained that way. Rates would have increased in time. Due to state laws and negotiated agreements, Allegheny rates do not reflect the current costs of generating or purchasing wholesale electricity. For that reason, Allegheny has sought several rate increases in recent years and received approval for a 29% increase last December.

The Cooperatives have generation assets that will provide stability and reduce exposure to market volatility. In the long run, the at-cost rates of the Cooperatives will not be as high as Allegheny's current customers would have seen in the future.

3. How are Cooperatives different from other utilities?

Cooperatives are local, customer-owned, democratically controlled, not-for-profit utilities. Cooperatives exist for only one reason – to serve. Anyone who receives service from the cooperative becomes a member and has an ownership interest in the cooperative. At the end of each fiscal year after all expenses are paid, any excess revenue is assigned to the members based on their patronage with the cooperative. As financial conditions allow, a portion of those assignments are retired and returned directly to the members.

4. Why are cooperative rates higher, especially since there is no profit motive?

Cooperative rates are higher for two reasons. First, co-ops serve fewer customers per mile of power line so fixed costs must be recovered from a smaller pool of consumers, making the per-unit charge higher; second, cooperative rates reflect current, actual costs for generating and purchasing wholesale electricity. Due to state laws and negotiated agreements, Allegheny Power's (Potomac Edison Company) rates do not reflect the current costs of generating or purchasing wholesale electricity.



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5. How will REC compare to other utilities after the acquisition?

REC currently operates 12,500 miles of line in 16 counties to serve 103,000 customer-members. After the acquisition, REC will have more than 15,500 miles of line and serve over 150,000 members across 22 counties, making it Virginia's largest electric cooperative and the state's third largest electric utility.

6. How will this affect rates?

The acquisition will have no immediate effect on the rates paid by REC's current members or Allegheny's Virginia customers. Allegheny's rates, including a schedule and formula for adjusting retail rates to reflect the costs of wholesale power purchases, will remain in effect through June 2011. Current Cooperative members will see the Wholesale Power Cost Adjustment continue to be modified bi-annually, but there are no plans to increase rates.

7. Why didn't I know that Allegheny Power was selling its Virginia territory?

Allegheny Power distributed a bill insert to its customers late in 2009 advising them that the Cooperatives were going to acquire Allegheny Power's Virginia assets. All parties had hoped that this transition would occur January 1. With negotiations finalized in May 2010, the Cooperatives will start serving the new territory June 1, 2010. All new members have been sent a welcome letter with address and phone contacts for all offices. Those letters should arrive by Friday, May 28.

8. Have you been receiving calls from the new service territory?

We had a gradual increase in call volume after each Rappahannock Electric Cooperative (REC) communication was sent out to the new territory. Once our new member packet was mailed, the volume increased significantly with questions concerning the membership application.

9. Is my service going to be disconnected if I do not return a completed membership application?

No, the application is not required to become a member. Since we are a Cooperative, we do ask that all new members throughout our service territory complete a membership application. This allows us to keep more accurate account records and provide better customer service.

10. Are there any fees associated with becoming a member of REC?

There is no membership fee to join the Cooperative. Our standard administrative fee for all new accounts is \$15 per connection. However, for active accounts transferred to us from Allegheny Power, we have waived this fee.



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11. Will I be charged a security deposit?

We will not be charging a new security deposit on accounts transferred from Allegheny Power as a result of the acquisition (as long as the account has a good payment history).

12. Why do you need my social security number?

Members are not required to provide a social security number. However, providing a social security number helps us insure the identity of our members. Please be assured that we always protect all account and personal information. We can use other indentifying information, such as a driver's license number, in place of a social security number.

13. How frequently do you bill?

Rappahannock Electric Cooperative bills its membership monthly. However, if you were receiving a bi-monthly bill from Allegheny Power, REC will continue to bill your account bi-monthly while we work to upgrade our meters and equipment in your area. All members on REC's Budget Billing program, similar to Allegheny Power's Average Payment Plan, will be billed monthly.

14. When will the first bills be sent out?

REC sent our first bills to our newest members on June 3.

15. Will the bills be estimates, or will you read each meter?

REC will be using actual meter readings on all bi-monthly bills and most monthly bills. One exception is for members on Budget Billing. For those members we will read your meter bi-monthly and use an estimated reading only on non-reading months.

16. What is your general policy on deposits for electric service for new customers? How is this policy being altered to accommodate absorption of the new customer base?

Generally, REC charges a security deposit on all new accounts and waives that deposit if a member signs up for our AutoPay service. But we will not be charging a new security deposit on accounts transferred from Allegheny Power as a result of the Acquisition, (as long as the account has a good payment history).



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17. What happened with deposits people paid to Allegheny Power? Did they transfer to REC, or will we get refunds from Allegheny Power and be charged a new deposit by REC?

If you had a security deposit held by Allegheny Power, it was transferred to REC on your behalf. With one year of good payment history (both with Allegheny Power and REC), we will refund your deposit as a credit on your account.

18. How would you handle this situation: Someone lives in a portion of Allegheny Power's former territory that was acquired by Shenandoah Valley Electric Cooperative on June 1. Sometime shortly after June 1, the customer moves into REC territory. Previously, this would be an Allegheny Power to Allegheny Power transfer with no impact on the deposit. How will such a deposit situation be handled? How much is past payment history factored into the equation?

REC has been welcoming new members into our existing territory for many years, and we look forward to the opportunity to welcome members into our newly acquired territory for many years to come. If you have had recent electric service in your name with any electric cooperative or investor-owned electric utility and provide us with a good letter of credit for that service, we will waive your security deposit. You may also sign up for our AutoPay program to have your security deposit waived.

19. If a member-owner had a payment arrangement of some sort with Allegheny Power (i.e. equal monthly payments, debiting the payment from their bank account) must they now make similar arrangements with your co-op or do the payment terms they had with Allegheny Power transfer?

Members on Allegheny Power's Average Payment Plan are automatically enrolled in REC's Budget Billing. REC will use your most recent Allegheny Power bill to determine your monthly budget amount, and we will review your account periodically to adjust your budget as needed. Members on Allegheny Power's PowerPay are automatically enrolled in REC's AutoPay. Each REC bill will display the amount due and the date your bank account will be debited. If you have an outstanding Allegheny Power balance, they will draft your account for their bill and forward the payment to us on your behalf. We invite all new and existing REC members to sign up for AutoPay or our online billing service, eBill. Please visit our Web site, www.myrec.coop, and click on My Account and Payment Options for more information.



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20. What is the last bill from Allegheny Power that anyone should be paying?

If you have an outstanding Allegheny Power bill, you may continue to pay Allegheny Power and they will forward your payment to us on your behalf; or, you may pay REC directly. We offer several convenient payment options including a new local Blue Ridge District office located in Front Royal. Please call, visit our Web site, or watch the mail for your new member packet for more information. (No new bills were issued by Allegheny Power after May 28.)