



## 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. I have a budget billing plan with Allegheny Power. Will that plan transfer to REC?**

Yes, REC will honor the Allegheny Power budget billing arrangements.

### **9. My Allegheny Power bill payment is automatically deducted from my bank account. Will that service transfer to REC?**

Unfortunately, no. Due to banking regulations, the automatic bank draft will not transfer. You will need to contact REC to re-establish that service.