

FAQ: Why Some Are Seeing Bigger Electric Bills

Q: My friend's AEP electric bill is high, and I saw on the news others are getting high electric bills. Is that going to happen to my cooperative electric bill?

A: No, cooperative members will not see dramatic increases on their electric bills like customers of investor-owned utilities have seen this summer. Rates of electric cooperatives are traditionally more stable because cooperatives in Ohio own their power generation plants, and the electricity is provided at-cost to cooperative members. Investor-owned utilities don't own generation and must buy power to distribute to customers. Prices are impacted by the ups and downs of the volatile energy market, which is impacted by supply-demand challenges. In addition, IOUs add a profit margin. Your cooperative electric bill may not always be the lowest in your group of friends, but it will be the most stable, with only slight increases and decreases due to changing fuel and transmission cost.

Q: How are my cooperative rates calculated?

A: Your cooperative electricity rates are at-cost—meaning the cost to generate, transmit, and deliver your electricity is what you pay. Your cooperative does not add a profit margin. There are three drivers of cost on an electric bill:

Generation: *The cost to produce electricity at the cooperative-owned plant; can fluctuate slightly based on fuel costs (coal, natural gas)*

Transmission: *Your cooperative does not own transmission lines. Co-ops must pay the rate set by the transmission line owner, like AEP Ohio.*

Operations: *The cost of your cooperative to run the business, including paying employees (lineworkers, member service representatives), trimming trees around power lines to prevent outages, and keeping trucks and equipment running to ensure you have reliable electricity 24/7.*

Your cooperative sets a rate based on these costs. What you owe is based on how much electricity you consume.

Q. I keep hearing about data centers moving into Ohio and that they use a lot of electricity. Is that what's really making electric bills high for people?

A: No. What IS and HAS BEEN impacting electricity rates for several years now is power supply and power demand. Consumers use electricity more today than they did five years ago, so there is more demand—electric cars, technology, etc. At the same time demand has been going up, supply of electricity has gone down because power generation plants have closed or retired early. In 2009, Ohio used to have 21 coal-fired power plants generating electricity. Today there are only 3. More generation has

been added, mostly renewables like solar and wind, and they aren't always available when demand for power is high, like a really cold or hot day. High power demand and low power supply drives the market price of energy up. Electric cooperatives are not impacted by the volatile energy market because co-ops in Ohio own their own generation, they don't have to buy power at market prices. Ohio's electric cooperatives have enough generation capacity to meet all co-op member's power needs in the state, however as demand grows in the years to come, more transmission lines and power generation will be needed.

Q: If power supply and power demand issues are already causing rates to go up, won't they go up even more if data centers are built near me because I hear they use a lot of power?

A: It depends. Data centers do use a lot of electricity—some as much as a small city. First, your cooperative would not connect a data center to electric service until the cooperative was certain it could supply the electricity needed to effectively serve that data center's power needs AND all co-op member power needs at the same level of reliability and service members expect.

*Servicing a data center would most likely require investment in new transmission service and possibly generation resources. **Remember, even without data centers in the picture, transmission upgrades and more generation were likely in the near future because of supply-demand challenges we're already facing in the state, and around the country.***

The cost to construct new transmission would be shared among all consumers of electricity and would cause transmission rates to increase to pay for those improvements and additions—but each consumer would pay their fair share—based on their usage. Any new data center would be paying its fair share too for the electricity it uses, so rates would most likely stay the same for consumers who don't increase their usage. Or—rates could go down slightly for consumers and electric cooperative members because the data center is paying for the increased load its adding and the investment costs of new generation-transmission-distribution. Think of it like this: You and friends order a pizza, and everyone pays their share based on how many slices they eat. Another analogy is Costco—you get a better rate when you buy in bulk. The same is true for data centers and electricity.

All Ohio's electric cooperatives are focused on making sure data centers are committed to coming to an area, staying long term, and using the amount of electricity they say they are going to use—before any money is spent to build new transmission and generation to provide them service. And the data center would pay for the new generation, transmission and distribution needed to serve its electricity load. It could be a win-win for everyone—jobs, economic development, and lower electricity rates.

Q: Can't my cooperative choose not to provide electric service to a data center that has located or wants to locate in our cooperative territory? They don't really create jobs or economic growth anyway.

A: Legally, no utility can refuse to provide electricity to any consumer or business. However, the leaders of Buckeye Power, Inc., the cooperative-owned power generation company, have stated the company will not invest in new generation for a data center based on the data center operator's forecast of how much electricity it thinks it will need or use.

The company believes it is critical to get an upfront cost commitment from data centers that want to come online before any investment is made in new generation.

Buckeye Power Inc.'s focus is making sure all additional costs to serve a data center aren't shifted to electric cooperative members.