

Q&A

Carteret-Craven Electric Cooperative's Wholesale Power/Fuel Cost Adjustment

In July, the cooperative implemented a Wholesale Power/Fuel Cost Adjustment (WPFCA) to cover an increase in our purchased power costs. The market prices of natural gas, fossil fuels and coal used to produce electricity have skyrocketed beyond all predictions. Unfortunately, as global demand for energy continues to rise, the market for these fuels will continue to be volatile and unpredictable.

What is driving up the costs of fuels to generate power?

A global increase in competition for coal, natural gas, petroleum and other products is pushing up the cost of wholesale power. Fuels used to generate power have escalated beyond anyone's expectations. For instance, the price of coal has increased from \$60 a ton in January to \$115 in June. The cost of a barrel of oil has doubled in the past year. Natural gas has followed oil, and its price has also doubled.

The costs that necessitate the WPFCA are completely outside the control of anyone in our area of the state. The wholesale market sets the price for these fuels on a state, national and international basis.

What is CCEC's history on the wholesale power/fuel cost adjustment?

The wholesale power cost adjustment clause has been in effect in all of CCEC's rates since the 1970s, a common practice among utilities nationwide. It is used to accurately reflect the difference of projected power costs and actual power costs when the price of fuels used to generate electricity fluctuates over time.

CCEC and other North Carolina cooperatives purchase power through the N.C. Electric Membership Corporation, which has carefully selected a mix of power sources, including nuclear, coal, hydro and natural gas-fueled plants. The collective purchases also include differing lengths of fuel-purchase contracts to attempt to stabilize costs as much as possible.

How long will the fuel cost adjustment last?

We are not able to project how long the adjustment will be necessary or how much it will be each month. We do anticipate that adjustments will be necessary for the foreseeable future. Energy market uncertainty, as well as anticipated climate change legislation that will undoubtedly have a significant impact on electric utilities, have created a highly unpredictable market, with no immediate end in sight.

Why doesn't CCEC just cut its budget somewhere else?

The 2008 operational budget has been cut as low as possible without negatively affecting service to our members or the cooperative's financial stability. We have implemented many internal cost-saving ideas and energy efficiency measures over the years as a result of our strategic planning efforts and have seen savings from those, but they cannot alone make up for the increase in our wholesale power costs.

What are some of the efficiencies the cooperative has implemented?

Our vehicles are also rolling fewer miles – down by six percent in recent months – which has helped offset the effect of rising gas prices. That decrease is a result of modifying some of our procedures. We are testing other methods to reduce our rising transportation costs as well. For instance, we have seen reduced fuel expenses and increased efficiency by using a scooter, which was part of Harkers Island EMC's fleet when the two organizations merged January 1. We plan to test the feasibility and safety of using the scooter in other parts of our service area, such as the more densely populated neighborhoods on Bogue Banks and in Havelock and Cape Carteret.