

Electric aggregation on ballots

Some of our member/owners will soon have the chance to vote on authorizing their county or town to aggregate the purchase of the energy portion of the electric service for customers of the local investor owned utility (IOU).

Basically, these counties and towns are acting as a middleman, working with an Alternate Retail Electric Supplier (ARES) to facilitate a whole group of IOU customers choosing a new energy supplier. This type of aggregation is very similar to what electric cooperatives like Eastern Illini did for the rural areas in the 1930s when no existing companies wanted to provide electric service to these areas.

It is important to note that even though you may vote on this issue, these aggregation plans only apply to customers of IOUs, and only apply to one part of the electric bill – the energy component.

These types of plans stem from the 1997 Illinois deregulation law. In it, Eastern Illini and other not-for-profit electric cooperatives and municipally owned utilities were treated differently. Because of our member-owned structure, aggregated buying power and the extensive infrastructure we have already invested in on your behalf, we were allowed to maintain our local decision making authority on whether to maintain our aggregated buying power for all of our member/owners as a whole, or to open up our membership to the deregulated electricity market with both its risks and potential rewards.

Our member/owners, through the board of directors, chose not to participate in deregulation. Instead, your board of directors has pursued a course of developing jointly owned electric generation with other Illinois electric cooperatives. We have invested in a new 1,600 MW power plant called the Prairie State Generation Station at Lively Grove, Illinois. We have also secured power from the Pioneer Trail Wind Farm near Paxton. Both of these projects represent long term access to very efficient and cost-effective power.

The seemingly low rates that ARES are now offering are temporary. The main reason for this is that electric demand is currently low due to the weak economy.

Also, there are many older power plants in operation now that will soon be closed due to EPA regulations. Those plants are fully paid for, and thus produce energy at low rates. When those plants close (and are replaced by higher cost alternatives) and/or demand comes back up, wholesale electric prices will soar, resulting in higher retail electric rates.



**MESSAGE FROM
THE PRESIDENT**

A reasonable analogy would be entering into an adjustable rate mortgage loan agreement that contained a low variable rate of interest during the first two or three years then changes to higher interest rates in the following years. Contrast this with signing a loan for a 30-year period at a fixed rate. Prudence for those who expect to be in business long term would likely be to choose the long term fixed rate, rather than the riskier short-term rate that can be expected to increase over the long term. Your board of directors has thoughtfully chosen the long-term alternative as a more prudent approach to providing you with safe and reliable electric power.

At the end of the day, we know our rates are higher than the IOU rates. The main reason for that is our density. With only three member/owners for every mile of line we serve (compared to about 40 for IOUs), our similar fixed costs are simply split up between many fewer people.

Thank you for taking the time to read about this important issue. Please feel free to contact me with your questions or comments.

At Eastern Illini, we plan to offer you stable energy prices for the long haul. We have secured a long term power supply so you will continue to have adequate and affordable energy for years to come.

Dave Champion
Eastern Illini's President/CEO