

WATT'S HAPPENING

SCENIC RIVERS ENERGY COOPERATIVE

LANCASTER, DARLINGTON AND GAYS MILLS, WISCONSIN

Fuel cost, purchased power increasing 2006 rates

The past year has been a challenging year for all Americans, as skyrocketing energy prices have hit hard in pocketbooks and caused great concern about the economy.

As 2006 approaches, electric utilities throughout the nation are facing a number of issues that are resulting in one of the most significant challenges facing the energy industry in decades. Some are comparing the issues to a “perfect storm”—a combination of events cascading upon us, guaranteeing substantial cost increases and making our job of delivering reliable and affordable electric service more difficult.

Although Scenic Rivers Energy Cooperative and our wholesale power supplier, Dairyland Power Cooperative, are diligently working to mitigate the impact of these cost-driving factors on your energy costs, Dairyland’s wholesale power cost, which accounts for 63 percent of Scenic Rivers Energy Cooperative’s operating budget, is facing unprecedented upward pressure, especially in the areas of fuel transportation and purchased power.

While Dairyland’s 2006 budget and wholesale rate are still being finalized as this goes to print, preliminary results indicate that Scenic Rivers Energy Cooperative will be facing a sizable wholesale rate increase in the

coming year. The combination of several factors will cause an estimated increase of Dairyland’s 2006 average wholesale rate of more than 20 percent over the 2005 rate. Pending Dairyland Board approval, a first step will be implemented with a temporary surcharge of up to 15 percent January through April, followed by a wholesale rate increase on May 1.

What are the cost-driving factors?

The most significant factor affecting Dairyland’s wholesale rate is an unexpected doubling of costs for rail transportation of coal to its power plants in Genoa and Alma, Wis. This single factor is likely to yield an increase on the order of \$30 million in total delivered fuel costs for Dairyland in 2006. As a part owner of Dairyland, this is a very large cost impact for our cooperative.

See the special “Watt’s Happening” from last month, which gave details on the rail shipping cost increase.

Fuel to operate Dairyland’s

generating facilities, primarily coal, accounts for our power supplier’s largest single expense. These costs are comprised of the fuel itself and the cost to deliver it. Dairyland’s power plants use about 3 million tons of coal each year. The coal is mined and shipped via rail and/or barge to Dairyland from mines in Wyoming, Utah and southern Illinois.

Over the last couple years, the cost to ship coal by rail has been a growing problem for Dairyland and other utilities. Rail costs affect us because the vast majority of our electricity is generated using coal, and all of Dairyland’s coal is moved by rail to our plants or barge loading facilities.

Demand for railroad transportation of products and merchandise (not just coal) has exceeded the capacity of the nation’s railroads. Unfortunately, with no excess capacity, the railroads have no incentive to compete for a shipper’s business and have been setting the price of transportation at the highest rates. In addition, the railroads are

also applying fuel surcharges on top of their increased base rates. Dairyland, and many other utilities, as well as industries like paper producers and chemical companies, are being hit by the full impact of these huge increases in rail pricing. This is the key driver for Dairyland’s increased rates.



“Demand for railroad transportation of products and merchandise (not just coal) has exceeded the capacity of the nation’s railroads.”

(continued...)

Currently Cooking



January is a good time for a hot steamy casserole. This one comes from St. Mary's cookbook in Bloomington.

Cavatelli

- 32 oz. spaghetti sauce
- ½ jar mild taco sauce
- 14 oz. pkg. lg. shell macaroni, cooked
- 1 lb. hamburger, browned and drained
- 1 sm. can mushroom pieces.
- 2 C. shredded mozzarella cheese
- Salt and pepper to taste.



Mix ingredients except cheese. Put in a greased 9 X 13 pan. Sprinkle cheese on top. Bake at 375° for 25 to 30 minutes, covered.

Fuel cost... (continued from cover)

We are supporting legislative initiatives to provide Dairyland and other "captive" rail shipper's access to fair competition. However, the outlook for transportation relief is uncertain at best. We assure you that we are working with Dairyland, government officials and others in the industry to help correct practices that hurt our cooperative and increase your energy costs.

Another major factor affecting rates is a significant increase in purchased power costs, driven mainly by the high cost of natural gas and the emergence of new wholesale energy markets. Although Hurricanes Katrina and Rita did not directly hit the power plants, poles and wires in our system, we are still feeling the impact of these catastrophic storms. Both Hurricanes Katrina and Rita affected the supply of natural gas for the United States—and prices for that commodity nearly doubled.

Since Dairyland relies primarily on coal for base load generation, along with a growing portfolio of renewable energy sources, the increased cost of natural gas has primarily impacted Dairyland when additional power is needed and purchased on the volatile open wholesale energy market. Buying and selling energy are a regular part of operations for Dairyland, especially when generat-

ing plants are limited in output or out of service for required maintenance. (Higher fuel costs and fuel availability have also impacted operations at Dairyland's Elk Mound combustion turbine, a natural gas or oil-burning facility.)

Virtually all utilities are feeling the pinch of high fuel prices. Along with Dairyland, many utilities in our region and throughout the nation are preparing to raise their rates.

While Dairyland faces these financial obstacles in the coming year, it is essential that our wholesale power provider continues to maintain a strong financial position and invests in projects to meet our future energy needs. Plans underway include 30 percent ownership in the 500 MW Weston 4 generating facility near Wausau, Wis., investment in new environmental controls at Dairyland's largest coal-fired facilities and continued expansion of its renewable energy portfolio.

Our costs are rising and we recognize the negative impact this has on each of you, our members. However, let me assure you that Scenic Rivers Energy Cooperative and Dairyland will continue to work hard to stabilize costs and provide our members with a reliable, competitively priced energy supply.

Vitality NOTE

Information overload



Information overload can increase your anxiety. Try listening to music stations, not talk radio, in your car. Keep your cell phone turned off at home. Have the newspaper delivered to your home only on weekends, rather than every day.

—Mary Lewis, author of *Break Free From Burnout in 30 Days*

Just For Fun



George and Waldo are walking along, and spot a couple of apples—one large and the other small. George is quick, so he grabs the larger apple and gobbles it up, while Waldo just manages to get hold of the smaller fruit.

Waldo: "That's not polite, George. If I'd gotten here first, I would have left the larger apple for you."

George: "Then why are you complaining? You got what you wanted."



WATT'S HAPPENING

Watt's Happening is published monthly as an information service to the member-owners of Scenic Rivers Energy Cooperative.

Any questions or comments can be directed to *Watt's Happening*, c/o Joan Wagner, Editor, Scenic Rivers Energy Cooperative, 231 North Sheridan, Lancaster, WI 53813 or telephone (608) 723-2121 or toll free Lancaster 800-236-2141, Darlington 800-236-6656, and Gays Mills 888-735-4314.

Richard E. Kolb *Manager*
Joan Wagner *Editor*

Our board of directors include Dale Bevan, Don Walters, Sandy Davidson, Norman Gordon, Gerald Koeller, Dean Thoreson, Merlin Kvigne, Tom Bennett, and Ellen Conley.

printed on recycled paper