

Answers about the Environmental Surcharge



Here are answers to help our members better understand the environmental surcharge on their monthly bills:

Q. *What is the environmental surcharge?*

A. The surcharge reflects the cost of equipment and other expenses our power supplier incurs as it complies with EPA regulations on power plant emissions. Most major electric utilities in Kentucky have this surcharge on their bills.

Q. *What equipment is needed to comply with EPA rules?*

A. Our power supplier has installed expensive equipment like scrubbers. The surcharge covers operation and maintenance of this equipment, and other environmental costs.

Q. *Is the charge from my co-op?*

A. No. The charge is a pass-through from our wholesale energy supplier, East Kentucky Power Cooperative (EKPC). Every penny goes directly to EKPC.

Q. *Who decides what my surcharge is?*

A. It's based on a formula approved by state regulators. EKPC bills Shelby Energy and then those costs are passed through to our members. State regulators make sure that only proper expenses are included.

Q. *What goes into the formula?*

A. Each month, EKPC calculates the environmental costs that state regulators have authorized EKPC to recover through the surcharge. These costs are divided by the 12-month average revenues EKPC receives from its owner-member co-ops. This produces a surcharge billing factor that is stated as a percentage. EKPC determines the total charges to its owner-member co-ops and then applies this surcharge billing factor to the wholesale power bill of the co-op.

Q. *Why does it go up and down from month to month?*

A. The surcharge will increase as new pollution control

equipment is added. And there are three other reasons the charge varies:

- Operation, maintenance and compliance costs change monthly.
- 12-month average revenues for Shelby Energy change depending on customer usage and weather.
- There is an additional adjustment that takes care of over- or under-collections of the surcharge.

Q. *When I compare surcharge dollar amounts on my bills this winter to surcharge amounts in months last year, why is it sometimes 2-3 times higher so far in 2012?*

A. Check electric usage in the months being compared. The surcharge is applied to the total bill less taxes. Higher electric use will generally make the surcharge dollar amount much higher in winter and summer than in most fall or spring months.

Q. *Will it ever be taken off the bill?*

A. With the EPA tightening regulations, the surcharge will probably be in effect for a long time.

Q. *Can I lower the environmental surcharge?*

A. The surcharge varies each month, and it is applied to the total bill. One way to contain the amount you pay toward the surcharge is to reduce your electric consumption.

Q. *Can the co-op help me at all?*

A. Shelby Energy can help find ways to conserve power through free energy audits, and provide energy saving tips. Go to www.togetherwesaveKY.com to learn more.

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