

Fuel cost outlook improves

The past few months have been challenging for our nation's economy, but it may surprise you to learn that fuel costs for electricity generation continued to improve in the last quarter of 2008 after soaring earlier in the year.

The cost of natural gas reached \$13 per million British Thermal Units (MMBtu) in June, but dropped to about \$7 in early October. Based on those prices, in June, cooperative members paid about 2.7 cents per kilowatt-hour, or \$29.81 for an average monthly bill based on 1,100 kilowatt-hours of usage, in fuel costs over and above base rates.

The fuel costs are part of the "fuel adder" or "energy cost adjustment" portion of a member's bill. During 2008, the forecast for July was estimated at 3.67 cents per kilowatt-hour and for August, it was 3.47 cents per kilowatt-hour. Fortunately, the actual fuel adders were much lower, thanks to falling natural gas prices. The July fuel adder was about 1.8 cents and August was about .8 cents. In October, it dipped to .4 cents per kilowatt-hour.

Since July, fuel costs have continued to decrease. Part of the reason for the lower costs is the slowing of the economy, which led to less electricity demand from large commercial users. The other factor was the price of natural gas, which dipped back into the \$6 to \$7 per MMBtu in the last half of 2008. These two factors will continue to impact the fuel adders in 2009. If the economy picks up by the last half of next year, however, the fuel adders might end up being higher than those of the last half of 2008.

The electricity that Petit Jean Electric Cooperative buys from Arkansas Electric Cooperative Corporation (AECC), the wholesale electricity supplier for the state's electric cooperatives, is produced using a diverse mix of fuels, including coal, natural gas and water. In addition to its own fuel resources, AECC purchases power on the market, when other utilities are selling electricity cheaper than AECC can produce it. These options help guard members against spikes in fuel prices. The majority of your electric cooperative's electricity is generated using coal because, despite rising costs of coal-fired generation, it remains the most reliable, best value fossil fuel available. For this reason, coal is used to generate about 50 percent of the electricity used in the United States.

It is our tradition as a member-owned cooperative to work diligently to provide electricity at the lowest possible cost. Because Petit Jean Electric Cooperative is a not-for-profit electric cooperative, electricity is sold at the lowest possible cost to you, the members, and any margins that are made are eventually returned to members through a capital credits program. We continue to work diligently to provide you, our members, with safe, reliable and reasonably priced electricity.

As a member-owned cooperative, we always place you, our members, first.

Thank you.

David Fugitt, GM/CEO
Petit Jean Electric Cooperative