Wood County ELECTRIC COOPERATIVE
A Touchstone Energy® Cooperative
P.O. BOX 1827 • QUITMAN, TEXAS 75783 • (903) 763-2203 • WWW.WCEC.ORG

Oh, Those Winks, Blinks and Flickers

We often hear members express concern over annoying "blinks" caused by short-lived losses of power. These happen quickly, say just in the blink of an eye. They do cause the lights to flicker but are frustrating for other reasons. Many times, if equipment does not have battery backup, these short power losses disturb electronics such as digital clocks, microwaves, computers, televisions and more. And, irritating as it is, all of those may have to be reset. So what causes these blinks?

Broken limbs or vegetation growing close to power lines can cause intermittent power outages. Members who see this should not attempt to remove the vegetation themselves but should call the cooperative to report the situation.

Miles of line wind through parts of nine counties in East Texas to bring power to homes and businesses. And, in a mostly rural area like ours, there are numerous birds, climbing squirrels and other curious animals that can make contact with those lines, causing power interruptions. Wind and lightning can also cause blinks, as can tree branches and line contact from foliage. Any of these can disrupt the flow of electricity. When an incident like this takes place, circuit reclosers stop power temporarily and then reset. That's a blink. What you probably didn't know, though, is that this breaker action helps avoid much longer outages.

Most events that cause blinks are uncontrollable. However, there are a few things we humans can do to prevent them. Be on the lookout for tree limbs and vines that are touching power lines, or anything else that could be disturbing the stream of electricity. WCEC right-of-way crews work year-round in a challenging environment to mitigate potential causes of power interruptions. But, they can't lay their eyes on the entire system every year. Many times, they must rely on members to call in and report an issue.

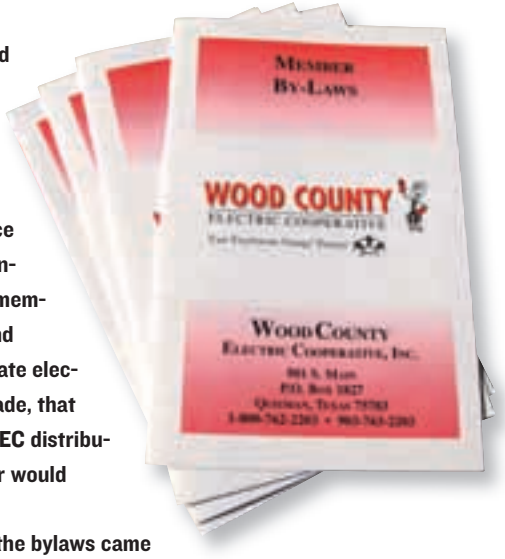
In addition to foliage, animals and weather, humans also can cause degradation to the system by damaging underground lines. A simple call to the Texas Excavation Safety System before digging can prevent interaction with a line. Call 1-800-DIG-TESS two business days before you plan to dig to assure you won't come across any underground lines.

It's also important to note that frequent blinking could be an indication of a system problem. Members who notice frequent blinks should try to record the times and dates of the instances and then make a report to the cooperative for troubleshooting. It could be the sign of a damaged insulator going bad or some other issue.

Blinks can be avoided but not eliminated. However, some of the aggravation from them can be lessened by proactive measures. To avoid losing electronic data on specific equipment during blinks, an uninterruptible power supply (UPS) can be used. A UPS is a device that maintains continuous electric power to computers. The device remains inactive until a power failure occurs and then immediately switches over to the alternative source. The units are intended to run for only a few minutes, just long enough to provide power through a blink or to safely shut the computer down in case of an outage. UPS units come in a variety of sizes, ranging from those that will back up a single computer to units that can power complete databases. Office and computer supply stores carry UPS devices for roughly $60 to $200. For the annoying flashing clocks, consider buying a digital clock with a built-in backup battery. Backup batteries work much like a UPS, providing power through a blink and doing away with the annoyance of resetting your clock.

WCEC BYLAWS REVIEW AND CHANGES PRECEDE ANNUAL MEETING

Wood County Electric Cooperative's bylaws are the regulations that govern all affairs of the organization and are the determining guidance for both cooperative and member responsibilities. Periodically, the board of directors must review and modify these bylaws to ensure they remain up to date with emerging laws and technologies.



After a recent review, the board of directors elected to make several beneficial changes. One of those changes has paved the way for members to participate in distributed generation, once all criteria are met. Distributed generation is the process by which a member would make the investment and purchase equipment to self-generate electricity. Then, if excess power is made, that electricity would flow into the WCEC distribution system, for which the member would receive credit.

Another significant change to the bylaws came about primarily to encourage greater member participation. To that end, all measures requiring a vote of the membership will be sent to members via a mail-in ballot. Members will simply mark their choices and mail the postage-paid ballot back to the pre-addressed location. An independent auditing firm will tabulate the votes.

Expect a mailing by mid-September. To encourage members to take the time to vote, returned ballots will be entered into a drawing with four members each awarded a $250 electricity credit to their account.

This year's director elections will include candidates for WCEC Districts 2, 3 and 7. The winners will be announced at the 70th Annual Meeting of WCEC, which will be held at 2 p.m. Friday, October 10, 2008, at Governor Jim Hogg City Park in Quitman. All members are invited and encouraged to attend. Please note that elections results will have already been tabulated, and no ballots will be accepted at the meeting.

Beginning at 12:30 p.m. there will be entertainment by the crowd-pleasing New Plainsmen Quartet. Those present at the meeting will have the chance to win multiple door prizes, including the grand prize, a flat-screen TV. Please look for the mailed ballot and bring the detachable card with your member number and name on it to participate in the door prize drawings.

During the meeting portion, there will be information detailing financial data, election results and other topics that concern cooperative members. In particular, attendees will learn about the dilemma facing the energy sector that poses a threat to reliability and affordability of electricity. And, there are ways we can all take action to help secure our energy future. We hope to see you there!

WOOD COUNTY ELECTRIC COOPERATIVE

invites all members to attend the

70TH ANNUAL MEETING

Friday, October 10, 2008

Governor Jim Hogg City Park
Quitman

12:30 p.m.
ENTERTAINMENT

2 p.m.
MEETING

FOR THE THIRD YEAR IN A ROW, AND BACK BY POPULAR DEMAND, THE NEW PLAINSMEN QUARTET WILL ENTERTAIN WCEC'S MEMBERS PRIOR TO THE 2008 ANNUAL MEETING.

CUSTOMER CHOICE CLIMATE

It's natural to like choice, and those of us in the U.S. have come to expect "having it our way," minus the pickle or ketchup ... AND with extra cheese or however else we request it. And, we want it wherever and whenever we choose. An expectation of customer choice is reasonable, and from time to time, when reviewing surveys by members, WCEC management reads a comment from a member who'd like to have a choice of electricity providers.

In 1999, the Legislature adopted Senate Bill 7, which authorized customer choice in Texas for those residents who received their power from the intrastate Electric Reliability Council of Texas (ERCOT) grid. S.B. 7 gave the authority to an electric cooperative board to decide when it's in the members' best interest to implement customer choice.

Only one of the 36 cooperatives in ERCOT opted in, with the rest taking a "wait and see" approach. What opting out meant for those ERCOT cooperatives is that they decided not to lease any of their distribution lines to for-profit utilities to offer services in their territories.

Currently, customer choice is not even an option for WCEC. Our cooperative is not in ERCOT but in the Southwest Power Pool (SPP), and the state has delayed customer choice for the SPP at least until 2012 and likely beyond that. This is due, in part, to constraints within the SPP because it is an interstate transmission system, which is on the same grid as the Texas Panhandle, Oklahoma, parts of Arkansas and parts of Louisiana. In addition, the states surrounding Texas have all dropped their plans to deregulate their retail markets.

What's interesting is that those entities that are not part of deregulation have been able to offer substantially lower rates than their counterparts that opted in. The planners and proponents for deregulation certainly never dreamed that in a deregulated market the prices would skyrocket. The fact that those prices did flies in the face of free-market practices that generally see lower prices when competition is introduced into the marketplace. This anomaly to free-market reaction was caused by several converging factors.

No one had accurately projected the congestion of transmission lines that would be caused by all of the switching. Imagine an already busy airport doubling the inbound and outbound flight traffic, but not adding enough tracking equipment, runways or air traffic controllers. Well, that's a good analogy for what happened when the state deregulated electricity. The new market created an immense amount of divergent traffic that greatly taxed the infrastructure and increased the complexity of providing electric service. This contributed to a rise in overhead costs within the deregulated market.

And electricity is not a commodity that can be stored. It must be used at the time of generation, and it is required 24/7. Also, demand comes in peaks and valleys. These factors played into the hands of sellers, giving them leverage over buyers.

In the meantime, a host of underfunded retail power middlemen jumped into the market to buy wholesale power from generators and sell to users. To lock in new customers, they offered fixed rates or other incentives. But because of the upward spiral of natural gas prices and the unpredictable nature of demand, these retailers were many times forced to buy power on the open market at elevated prices. About 50 percent of power generated in the state of Texas comes from natural gas, which has seen a five-fold price increase since deregulation. With fixed sales rates, these speculators oftentimes lose on each kilowatt sold.

This year, about a half dozen electric retailers have gone under. When that happens, the electric customer does not see a loss of service but is automatically switched to a "provider of last resort." Because these providers have not planned for that customer in their load planning, and many times must go to the open market to provide enough power, the consumer ends up paying much higher rates than the norm. The "power to choose" has then had the exact opposite effect on the customer who was just trying to exercise the right to buy lower cost power.

Now. After that background, back to the burning question that some members ask: Can I switch to another electric provider? Well, yes, no and maybe. Even though retail customer choice is not available in our region of the state, and may never be, in some areas there can be a choice of which provider's wires can hook up and deliver power to your home or business. WCEC shares some of these dual certified areas with other providers. While it is not a pure "customer choice" scenario, if customers of one provider want to move to another provider within the dual certified area, they may.

However, unlike with the retail electricity providers, a physical plant must be built to serve the switchover and the cost of that must be borne by the customer. And, the customer will usually have to pay a large "release" fee from the original provider. But, many times this move proves a financially sound decision over the long haul.

For example, WCEC recently had a request to switch over a church whereby the administration wanted to move service from the current provider to WCEC. Because it was a dual-certified area, WCEC was able to accommodate the move. Here's how the numbers stacked up. That church must pay an exit fee to its current provider. Those costs totaled about $250. In this case, there was no construction charge from WCEC because the distances to hook in were not far

enough to require any fees. Once hooked in to WCEC, the congregation would not be paying the hefty "demand rate" that the investor-owned utility charged it. In a matter of months, the exit fee will be recouped. And then, every month thereafter, the new WCEC members will save about $100 a month. Additionally, these members will also receive capital credits based on their usage, and when the credits are retired, usually annually, the church will get a check.

In summary, each case is obviously different. And while there currently is no "customer choice" for WCEC members, one thing is crystal clear: Those in the SPP, such as WCEC, offer some of the best rates to Texas consumers. For example, the rate at WCEC is 9.5 cents per kilowatt-hour (kWh), including the power cost recovery factor, while those in deregulated ERCOT are between 13 and 21 cents per kWh.

The priority of WCEC is, and always will be, to secure the most reliable and affordable electricity service for members. Through our alliances with our generation and transmission cooperatives and Texas Electric Cooperatives, we have and will continue to stay abreast of all matters relative to customer choice. As long as WCEC remains one of the lowest-cost providers in East Texas, with rates well under what the ratepayer in the deregulated market pays, we'll continue to support a delay of deregulation for the SPP because it's the most economically sound decision. Now, would you like that with a cherry on top?

DID YOU KNOW?

- For those in the Southwest Power Pool (SPP), customer choice has been delayed until at least 2012 and likely way beyond that.
- Electric cooperatives are exempt from deregulation because member-owners run them via a democratic business model. That means that co-ops can "opt out" of deregulation if it comes to pass in the SPP, and that decision is of benefit to their members.
- Currently, Texans in the deregulated market see 29 percent higher bills than those who do not have to participate in that market.
- Many states have shelved their plans to deregulate after results were found to be unsatisfactory.
- Average electricity prices rose 21 percent in regulated states from 2002 to 2006. In deregulated states, average prices rose 36 percent. In Texas? It was 58 percent.

TARIFF CHANGE ALLOWS FOR DISTRIBUTED GENERATION

The Board of Directors of Wood County Electric Cooperative, Inc. ("WCEC"), passed a resolution on July 21, 2008, approving proposed revisions to the WCEC Tariff ("Tariff"). The proposed revisions allow for the interconnection of qualified member-owned generation. This process is commonly called distributed generation (DG). DG systems are small-scale power generation systems, typically in the range of 3 to 10,000 kilowatts. They are used to provide an alternative and/or enhancement to the traditional electric power system.

WCEC supports generation that is safe, reliable, cost-effective and environmentally responsible. For those contemplating it, the process is rather complex, with geography being a primary factor in whether a particular power type (wind/water/natural gas/solar) is a viable source of energy. A difficulty with these systems is their normally high cost.

With many, the primary motivation for securing an alternate source of energy is to ultimately reduce electric costs as well as to reduce the environmental impact. In some instances, these units may take a very long time to pay for themselves and actually never return a profit.

Thus, it is important for those who may be contemplating employing distributed generation to adequately research all costs and projected paybacks to determine economic feasibility based on their desired outcome.

WCEC must adhere to all applicable state and federal laws to connect any member's DG source. Of primary importance is safety to other members, WCEC employees and the cooperative's system that delivers to other members. Additionally, any DG will not be subsidized by other members and must be operated in a manner that will not degrade service to other members.

Revisions to the Tariff will become effective on October 1, 2008. A copy of the proposed revisions to the Tariff will be available for inspection at WCEC headquarters, 501 S. Main St., Quitman, TX 75783, or on the WCEC website at www.wcec.org.