



Why have Citizens' rates gone up?

Rates have increased for three reasons:

1. Higher fuel costs – The price of fuel used to generate electricity (natural gas, coal, nuclear and oil) is increasing dramatically.
2. Rising demand – Worldwide economic growth, particularly in China and India, has increased the demand for the fuel and building materials needed to run and build power plants. This has caused the cost of power to increase steadily on the U.S. energy market as well as inflating prices worldwide.
3. Citizens is investing in generation resources to ensure reliable, affordable electricity for the future.

Citizens' rates were one of the lowest in Missouri for nearly 60 years.

That's because there was excess generation in this country, and Citizens was able to contract with Union Electric (which is now Ameren) for low-cost all-requirements power supply over extended periods.

During that time, some utilities had higher rates, because they were building power plants. Citizens wasn't. There didn't appear to be a reason to invest billions of dollars when we had such low rates.

Federal legislation changed the rules.

Wholesale deregulation in the late 1990's changed the course of the electric industry forever. Utilities owning power plants (such as Ameren) are now able to sell their excess generation on the open power market to the highest bidder, which is much more lucrative than contracting fixed-cost all-requirements contracts with neighboring utilities.

Consequently, when the contract ended with Ameren, Citizens was not able to obtain an affordable, long-term, fixed-cost, all-requirements contract with any power supplier. After exploring Citizens' options for over two years, it became clear that the only way to protect members from being fully exposed to the open market was to invest in generation.

Options were limited.

The only options were to build a power plant (which was not economically feasible), join Associated Electric for \$435 million or join Wabash Valley Power Association (WVPA) for \$58 million.

Citizens' Board of Directors made the decision to buy into ownership of WVPA, because it's a not-for-profit co-op, and along with 27 other electric distribution co-ops, we can share ownership of a diversified portfolio of generation assets and long-term power supply contracts.

Generation assets include: Gibson Generating Station; Vermillion Station; Lawrence Generating Station; Waste Management, Inc. (landfill generation); SgSolutions and Wabash River Unit #1.

Investing in our future

By investing in generation, Citizens is less dependent on buying power on the open market. In time, Citizens will have paid for these generation assets, and once again, our rates will be more competitive.

Even now, by joining WVPA, Citizens is investing in generation assets and maintaining rates that are lower than market prices.