

The CIRCUIT



*** Proudly Serving Rural Kansas for Over 75 Years

December 2017



Merry Christmas from the Employees & Trustees of Your Electric Cooperative

In observance of the Holiday Season, we will be closed on December 22nd from 12:00 pm to 5:00 pm, all day on December 25th, and all day on January 1st to celebrate the New Year.

If you have an outage or trouble on your lines, please call 1-888-297-9212.



May the warmth, joy, and peace of this Christmas be with you and yours now and throughout the year.

Congratulations!

October was Cooperative Appreciation Month

To honor its members, Ark Valley Electric held a drawing to give away a 3.2 Quart Air Fryer.

The winner of the drawing was **Vangie Bowman of Langdon, KS**

Drawing Winner

CHARLES BOUDREAUX is the winner of our \$25.00 readership drawing.

Charles, to claim your prize, please contact Ark Valley by December 29, 2017 & give us the account number from your electric bill.

It Pays to Be a Co-op Member

\$1.2 Million paid back to members

Ark Valley Electric Cooperative is not like an investor-owned or municipal utility – you, as a member own a portion of the cooperative. One benefit of membership is the allocation of excess revenue, called margins, in the form of capital credits.

Ark Valley operates at cost, collecting enough revenue to run the business without raising rates for profit. Margins are allocated back to members as capital credits. Allocating and retiring margins to members helps distinguish cooperatives from other utilities. We're proud to be able to credit members' accounts and put money back into the local economy and the pockets of those we serve. It's what makes the cooperative business model unique.



The retirement of capital credits is dependent on Ark Valley's financial status. Capital credits are retained by the co-op for a period of time to help fund the operation of the cooperative, such as reducing long-term debt, maintaining reserves for financing of plant replacements, storm damage repairs, and to reduce the cost of electricity to the membership of the cooperative. Capital credits are retired when the cooperative's financial strength will not be compromised by a retirement of a portion of members' capital credits.

Given Ark Valley's good equity ratio and finances, the Board of Trustees approved the pay out of all remaining capital credits from 1997, 25% from 1998, and 30% of the Co-op's portion of 2016 – amounting to over \$1.2 million. The capital credit check that most of you will be receiving this month is a tangible demonstration of your ownership in Ark Valley.

BY THE NUMBERS

Patronage Capital Credit Distribution

\$1.2 MILLION CAPITAL CREDITS PAID IN 2017	<u>CHECKS MAILED</u> 3,528
	CURRENT MEMBERS 1,345
\$7.1 MILLION CAPITAL CREDITS PAID LAST 5 YEARS	PREVIOUS MEMBERS 1,345

Choice Isn't Always Better

Most people have heard of retail wheeling but might not know what it means or know much about it. Retail wheeling means a massive restructuring of the electric utility industry as we know it in Kansas and would allow customers to choose their electric service provider. This concept is also referred to as deregulation, retail choice or customer choice. Although Kansas considered this concept 20 years ago and determined it wasn't a good idea then, bills continue to be introduced to Kansas Legislature by advocates to enact retail wheeling.

Retail wheeling would mean that consumers would have to deal with not one but several utility entities. The current electric providers would still be responsible for maintaining the poles and wires to deliver electricity, but in addition, consumers would also have to carefully evaluate different rate plans and choose a new company or

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Choice Isn't Always Better *continued . . .*

two to secure the actual kilowatts needed to keep their lights on. Those plans can be complex, misleading and fleeting. And in the end, a market price doesn't mean a lower price. It means being subject to the fluctuations of a volatile energy market that may be attractive today, but could be wildly different in the future.

We are accustomed to choice in nearly all our retail transactions. However, most retail decisions are much less complicated and have less adverse risk than choosing an energy provider. In states that have experimented with this concept, marketers offer rates that look attractive but when fuel prices spike, retail electric bills spike as well. Some companies offer low initial rates that rise after a trial period expires. Embracing the risk of retail wheeling brings the potential for volatile changes in your electric bill.

Large industrial customers are the primary voices calling for this change, because they can aggregate power purchases and potentially reduce their energy bills. Residential and small commercial customers are less attractive to energy marketers and won't have the same clout. Unfortunately, if those industrial customers aren't buying electricity from their not-for-profit cooperative, that loss of revenue will raise rates for other customers of the cooperative.

There are seventeen states that use some form of customer choice of their electricity provider, but that doesn't mean it has been good public policy. In fact, five states rescinded the legislation before it was implemented. Several more wish they could return to the previous structure. But once this change is enacted, it is probably irreversible. And ironically, rates in customer choice states remain higher than the states that have retained a more traditional regulatory structure. Kansas residential customer rates remain below the national average for all states and are well below rates paid by customers in retail access states.

The risk of giving it a try is that native utilities, including Ark Valley, will be forced to restructure in order to become energy marketers. No matter what the concept would look like, it would be nearly impossible to return to the current form of business if the decision proved unpopular or unworkable. The risk is especially high for rural electric cooperatives, because they serve smaller numbers of customers per mile of line. If electric cooperatives would lose electric sales revenue from their largest customers, the cost to run the cooperative will be paid by the remaining customers through higher monthly charges for administration, transmission and delivery of electric service.

Board Meeting *Highlights*

The Board of Trustees for the Ark Valley Electric Cooperative Association held its regular meeting for the month of October on October 30, 2017.

The General Manager, Jackie Holmberg, reported to the Board about irrigation load control and distributed generation. She informed the Board that the load control devices used for irrigation worked well this first year. When trying to calculate the savings contributed to changing how peak demand charges were assessed against irrigators, a lack of historical information made it impossible to compare the peak savings for August and July of 2017 with previous years. However, June and September of 2017 could be compared against previous years. Ark Valley realized approximately \$53,000 in savings by adding the shoulder months of June and September to the irrigation control period.

As for distributed generation, this was the third year of utilizing the diesel generation unit at the Arlington substation for the purpose of shaving peak demand. The distributed generation savings of \$157,982.00, less the fuel cost of \$6,254.49, yielded a total net savings of \$151,727.51.

HAPPY NEW YEAR
2018



Want to Become a Lineman?

Ark Valley Electric Cooperative is offering its members a \$1,000.00 SCHOLARSHIP to any graduating senior, high school graduate, or recipient of an equivalent degree (GED, etc.) that plans to enroll in a Kansas line school.

(Must be a member or have parents that are members of Ark Valley Electric to qualify.)

If interested, call (620)-662-6661 or pick up an application from your School Counselor.

Applications must be returned to Ark Valley Electric by March 15, 2018.

The Ark Valley Electric Cooperative Association, Inc. is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.