

K.C. ELECTRIC ASSOCIATION

JANUARY 2019

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Our mission is to provide our members with safe, reliable service at the lowest cost, while maintaining an environmentally responsible, accountable and sustainable operation now and in the future.

YOU GET THE CREDIT

BY DAVID CHURCHWELL GENERAL MANAGER



DAVID CHURCHWELL

It's time for you to get the credit — capital credits, that is — for helping build, sustain and grow your local electric cooperative.

In November, the K.C. Electric Association Board of Directors approved a general retirement of \$1 million in capital credits to you, our consumer-members. In addition, K.C. Electric retired capital credits in excess of \$207,000 to estates in 2018 for a total capital credit retirement of over \$1.2 million. K.C. Electric formed in 1946 and has returned over \$18 million to our members since we began providing electric service.

When you signed up to receive electric service from K.C. Electric you became a member of an electric cooperative. While investor-owned utilities return a portion of any profits back to their shareholders, electric cooperatives operate on an at-cost basis. So instead of returning leftover funds, known as margins, to folks who might not live in the same region or even the same state as you do, K.C. Electric allocates and retires capital credits (also called patronage dividends, patronage refunds, patronage capital or equity capital) based on how much electricity you purchased during a year.

Every year K.C. Electric's board of directors determines if financial conditions allow for the retirement of capital credits. In December 2018, members from 1998 and 1999 received capital credits retirements reflecting their contribution of capital to, and ownership of, the cooperative during those years. If you were a member of K.C. Electric in 1998 or 1999, you should have received a check in December. The minimum check amount was \$20. Any amounts under the \$20 minimum will be

held in the individual's name and added to a future refund.

That may seem like a long time ago. However, those funds helped us keep the lid on rates; reduced the amount of money we needed to borrow from outside lenders to build, maintain and expand a reliable electric distribution system; and covered emergency expenses.

Paying capital credits to our members is one of the many factors that make electric cooperatives unique and differentiates us from investor-owned and municipal utilities. If you decide to move out of our cooperative territory, it is important for you to keep K.C. Electric informed of your current address to ensure delivery of any future refunds.

For more information on this part of the cooperative business, read the following Q & A:

Common Capital Credits Questions

WHAT ARE CAPITAL CREDITS?

An electric cooperative operates on an at-cost basis by annually "allocating" to each member, based on the member's purchase of electricity, operating revenue remaining at the end of the year; later, as financial condition permits, these allocated amounts — capital credits — are retired. Capital credits represent the most significant source of equity for K.C. Electric.

Since a cooperative's members are also the people the co-op serves, capital credits reflect each member's ownership in, and

YOU GET THE CREDIT

contribution of capital to, the cooperative. This differs from dividends investor-owned utilities pay shareholders, who may or may not be customers of the utility.

WHERE DOES THE MONEY COME FROM?

Member-owned, not-for-profit electric co-ops set rates to generate enough money to pay operating costs, make payments on any loans and provide an emergency reserve. At the end of each year, we subtract operating expenses from the operating revenue collected during the year. The balance is called an operating “margin.”

HOW ARE MARGINS ALLOCATED?

Margins are allocated to members as capital credits based on their purchases from the cooperative — how much power the member used. Member purchases may also be called patronage.

DOES XCEL ENERGY, BLACK HILLS ENERGY OR THE TOWN OF BURLINGTON RETIRE CAPITAL CREDITS?

No. Within the electric industry, capital credits only exist at not-for-profit electric cooperatives owned by their members.

ARE CAPITAL CREDITS RETIRED EVERY YEAR?

Each year, the K.C. Electric board of directors decides whether to retire capital credits based on the financial health of the cooperative. During some years, the co-op may experience high growth in the number of new accounts, or severe storms may result in the need to spend additional funds to repair lines. These and other events might increase costs and decrease member equity, causing the board not to retire capital credits. For this reason, K.C. Electric’s ability to retire capital credits reflects the cooperative’s

strength and financial stability. The board alone decides whether to retire capital credits.

DO I LOSE MY CAPITAL CREDITS IN THE YEARS THE CO-OP DECIDES NOT TO MAKE RETIREMENTS?

No. All capital credits allocated for every year members were served by K.C. Electric are maintained until such time as the board retires them.

I DID NOT GET ELECTRIC SERVICE FROM K.C. ELECTRIC IN 1998 AND 1999. WILL I GET ANY RETIREMENT?

No. This year, capital credits retirements will only be made to members who purchased electricity from K.C. Electric in 1998 and 1999.

HOW MUCH HAS K.C. ELECTRIC PAID IN TOTAL CAPITAL CREDITS RETIREMENTS SINCE IT BEGAN IN 1946?

K.C. Electric paid over \$18 million in capital credits retirements to current and former members to date.

HOW OFTEN DO MEMBERS RECEIVE CAPITAL CREDITS RETIREMENTS?

The K.C. Electric board of directors makes a decision each year whether or not to retire capital credits. When the cooperative is strong enough financially and member equity levels high enough, the board directs staff to retire some portion of past years’ capital credits.

HOW WILL THE RETIREMENT WORK?

Inactive or former members who no longer purchase electricity from K.C. Electric (but who purchased electricity during the years being retired) should have received a check in December. Due to the expense

involved in processing printed checks, the minimum retirement check that will be written to current members will be \$20. Any amounts under the \$20 minimum will be held in the individual’s name and added to a future refund.

WHAT IF I MOVE?

If you move or no longer have electric service with K.C. Electric, it is important that you inform the cooperative of your current address so that future retirements can be properly mailed to you. If you purchased electricity during the years being retired, then you are entitled to a capital credits retirement, even if you move out of the K.C. Electric service territory. If we have your current address, then we will send your retirement check by mail.



January 2019

Energy Efficiency

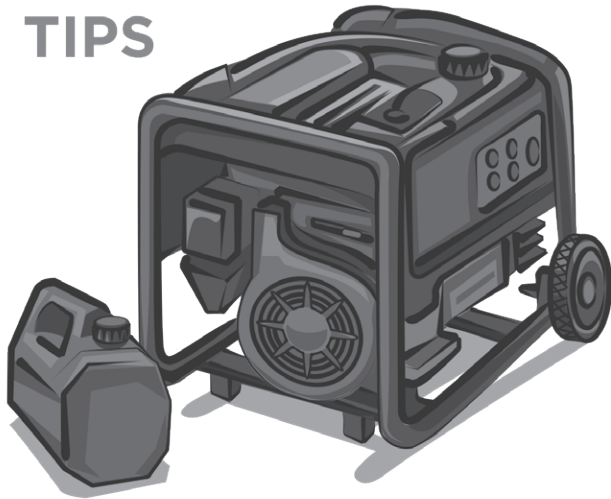
Tip of the Month

HOT WATER TANK TIP

Is your hot water tank warm to the touch? Consider insulating it to save 7 to 16 percent annually on water heating costs. Follow the manufacturer’s recommendations.

Source: energy.gov

GENERATOR SAFETY TIPS



Never connect a standby generator into your home's electrical system. There are only two safe ways to connect a standby generator to your equipment.

Stationary Generator:

An approved generator transfer switch, which keeps your house circuits separate from the electric co-op, should be installed by a professional.

Portable Generator:

Plug appliances directly into the outlet provided on the generator.

Set up and run your generator in a well-ventilated area outside the home. Make sure it's out and away from your garage, doors, windows and vents. The carbon monoxide generated is **deadly**.

Use a heavy-duty extension cord to connect electric appliances to the outlet on the generator.

Start the generator first **before** connecting appliances.

Source: SafeElectricity.org

Downed and Dangerous

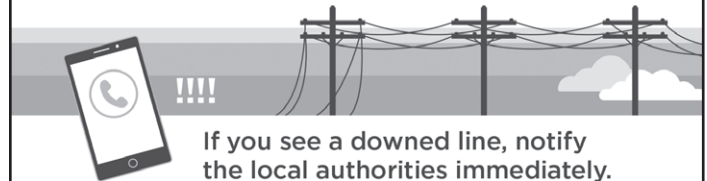
If you see a downed power line, always assume it is energized and dangerous. Avoid going near it or anything in contact with the power line.



Downed power lines can energize the ground up to **35 ft.** away – so keep your distance.



Never drive over a downed line or through water that is touching the line.



If you see a downed line, notify the local authorities immediately.



Never try to move a downed power line, even if you think the line is deenergized or if you're using a non-conductive item – this will not prevent injury or death!

Source: ESFI.org

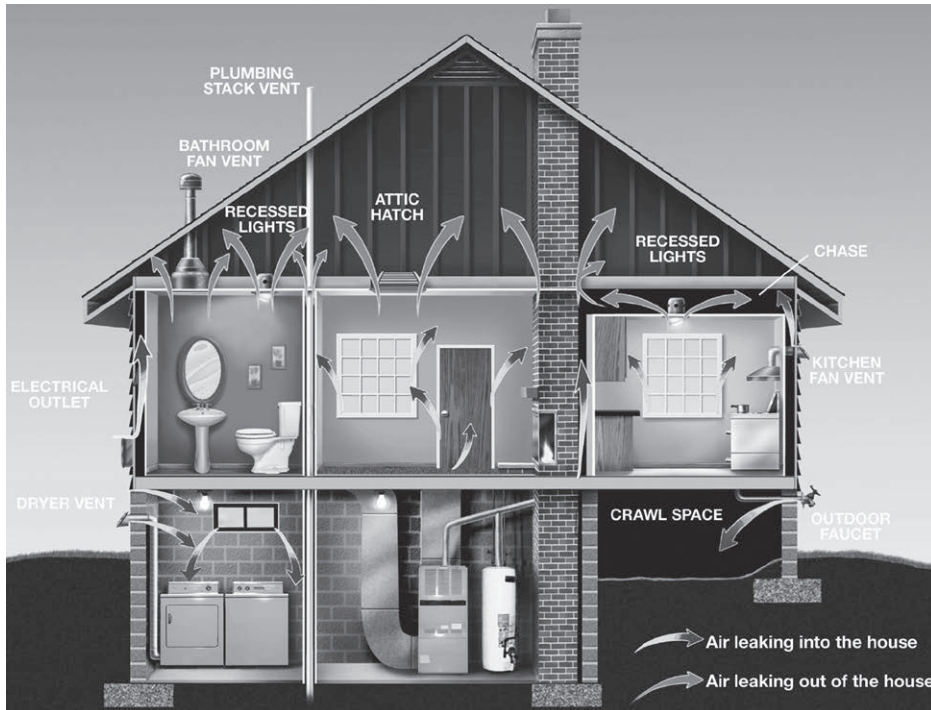
No Rate Increase for K.C. Electric Consumers

At the December 20, 2018, board meeting, the K.C. Electric Association Board of Directors approved the 2019 operating and capital budget. The budget will allow K.C. to operate in 2019 without increasing retail electric rates.

Earlier this year, our power supplier, Tri-State Generation and Transmission, announced that it would not raise its wholesale power rate in 2019. Since the purchase of wholesale power accounts for over 70 percent of our annual operating costs, this announcement helped us avoid

a retail rate increase.

K.C. is a not-for-profit electric provider and has no interest in raising rates unless it's absolutely necessary. Its focus is to provide members with safe, reliable service at the lowest cost while maintaining a sustainable operation now and in the future.



Home air leaks.
Image from energystar.gov

Energy Tips and News

BY GEORGE EHLERS MANAGER MEMBER SERVICES/IT SERVICES

In the next few months, K.C. Electric Association will print tips to help consumer-members around the house, farm or ranch. Each month K.C. will cover a specific topic that will hopefully be useful on a day-to-day basis. K.C. hopes you find these tips informational and that they also spark a thought or two to help you save energy where it is most needed.

TIPS FOR HOME EFFICIENCY

The home is the structure that uses the most electricity throughout the year. Homes should be insulated and sealed properly to keep energy use to a minimum during both the heating and cooling seasons. Here are some tips to keep your home energy efficient:

- Add weather stripping around the edges of all doors to produce a good seal with the frame.
- Install a programmable thermostat, which can lead to significant energy savings. Turn down the thermostat when your home is not occupied or at night to save 1 percent for each

degree the thermostat is lowered for an eight-hour period.

- Check furnace filters monthly to ensure airflow is not restricted and replace semiannually or sooner if dirty.
- Install a ceiling fan, which can reduce heating and cooling requirements by keeping the air from stratifying and providing air movement to promote evaporation. Reversible fans should be pushing air down during the cooling season and up during the heating season.

Claim Your Savings

Each month, members have a chance to claim a \$10 credit on their next electric bill. All you must do is find your account number and call the Hugo office at 719-743-2431 and ask for your credit. The account numbers are listed below. How simple is that?

You must claim your credit during the month in which your name appears in the magazine (check the date on the front cover).

Mona Ebsen, Stratton — 1116540001

Brett Legg, Cheyenne Wells — 1106500001

Lois Ferguson, Hugo — 641907004

Rana Epperly, Bethune — 1161200011

In November 2018, four consumers called to claim their savings: Patsy Smith on Behalf of VFW Post 6612, Hugo; Gorge Luft, Arriba; Tom Lee, Hugo; and F & DD Farms, Burlington.

WAIT OUT THE WEATHER

Unless it's an emergency, stay home during ice and snow storms, and wait until roads are passable. Heavy snow and ice can bring down power lines, creating hazardous conditions.