

Varied Pieces Form the Electricity Rate Puzzle

An electric rate is the system of pricing electricity that ensures the recovery of costs necessary for an electric utility to continue providing reliable electricity to you. One of the board's most important responsibilities is to design rates that meet the near- and long-term goals of Western Cooperative Electric while keeping your electric rates as low as possible.

Each distribution system faces unique issues and challenges, and this results in different rate structures that are designed to meet the specific needs and goals of each electric co-op. Although rate structures vary by cooperative, most distribution cooperatives' retail rates are based on two common components: the actual cost of wholesale services and the co-op's cost to deliver the power to the members. On your monthly bill, you see those costs broken out in the following ways:

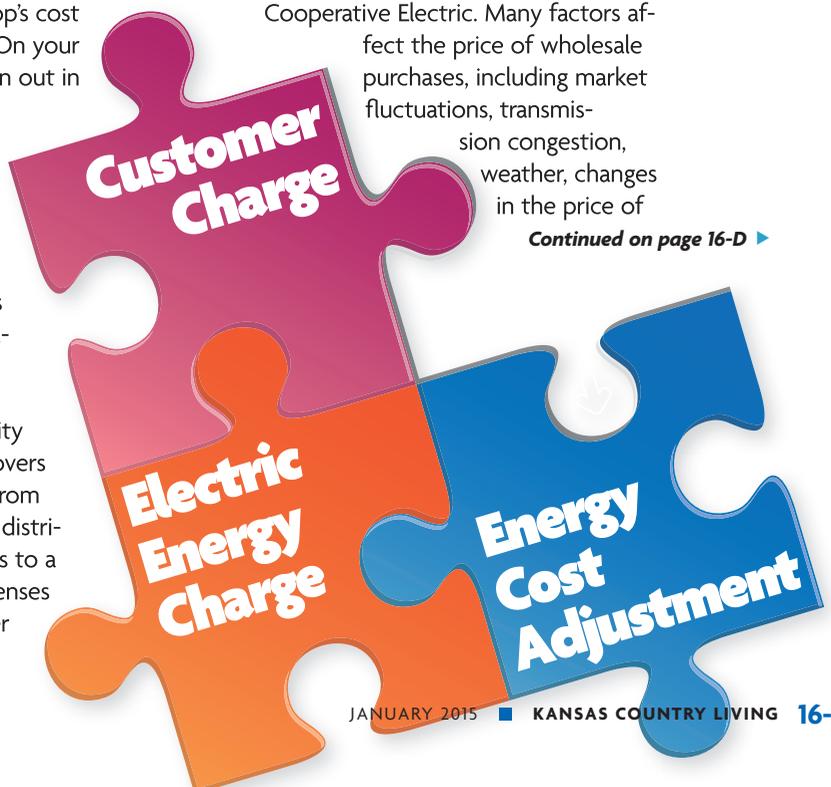
- ▶ **Connect Fee**—This fee is a one-time fee charged by Western to initiate a member's service.
- ▶ **Electric Customer charge**—This standard charge on each member's monthly bill is based on what it costs the cooperative to make service available and is the same for each of the members in a particular class. Even if the member doesn't use any electricity during the billing cycle, this charge covers the costs of transporting electricity from wholesale transmission facilities over distribution lines and through transformers to a member's meter. It also includes expenses that stay the same regardless of other factors or the level of sales, such as

rent, utilities, staff salaries, taxes and depreciation on buildings.

- ▶ **Electric energy charge**—This cost is associated with the amount of energy used by the member. It is expressed as cents per kilowatt-hour and is applied to the member's kilowatt-hour usage.
- ▶ **Energy Cost Adjustment (ECA) charge**—This is a monthly billing charge that reflects wholesale purchases from our power suppliers, Sunflower and Mid-Kansas. Wholesale rates, which make up the largest percentage of a monthly bill, include the costs of generating and purchasing power, as well as the cost of transmission needed to deliver the power to Western

Cooperative Electric. Many factors affect the price of wholesale purchases, including market fluctuations, transmission congestion, weather, changes in the price of

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Attention High School Juniors



Each year, students from Kansas join more than 1,600 youth in Washington, D.C., to attend the Electric Cooperative Youth Tour. This year's Youth Tour is scheduled for June 11-18, 2015.



Sarah Gustin (left) and Shelby Coburn stop in front of our nation's capitol while on the 2014 Youth Tour.

This trip was amazing! Walking amidst history and standing next to the memorials was inspiring. SARAH GUSIN, 2014 YOUTH TOUR PARTICIPANT

Your electric cooperative offers free trips for up to four children of Western Cooperative Electric members.

If you are a high school junior, whose parents/guardians are Western members, you are eligible to enter this contest.

Two winners will be chosen to join more than 1,600 young people in Washington, D.C., for the Electric Cooperative Youth Tour June 11-18, 2015. You will visit the state capitol in Topeka before flying to Washington, D.C. There you will learn about the U.S. government through visits with senators and congressional delegation, meetings with youth from other states and tours of museums, Capitol Hill and Arlington National Cemetery.

To see what's in store visit <http://bit.ly/DCYTVideo>.

Two winners will be chosen to attend the Cooperative Youth Lead-

Scan these Codes to Get More Information

Washington, D.C.



Steamboat Springs, CO



Download the free scanning app in the Apple App Store or Google Play.

ership Camp in Steamboat Springs, CO, July 11-17, 2015.

You will stay at the scenic Glen Eden Resort in the beautiful Rocky Mountains. At camp, you will join winners from other cooperatives in Kansas, Colorado, Oklahoma and Wyoming to form one of the most outstanding leadership camps in the country.

Get more information at <http://bit.ly/CYLCVideo>.

In addition to the trips, each winner will receive a \$250 scholarship. An additional \$250 scholarship is being offered as a memorial for past Board Trustee, Darrell J. Brown.

To apply, students submit an application and resume, take an open book quiz and write a short essay on a topic to be announced. Based on these items, finalists will be selected for an interview at the Western office **Sunday, March 1, 2015.**

You may complete the entry coupon, below, which also can be downloaded on Western's website www.westerncoop.com. **All entry coupons must be received by January 31, 2015.** For more information contact Janet Geist or Dennis Deines at 785-743-5561 or 800-456-6720.

Seniors—Trips & Scholarships



Baylee Werth and Isaiah Fabrizio enjoy the view of Elk River during the 2014 Co-operative Youth Leadership Camp.



Kansas delegates attend Cooperative Youth Leadership Camp along with students from three other states to develop leadership skills and learn about cooperatives. The 2015 camp will be July 11-17.

This leadership camp taught me how a cooperative effort can be a success.

BAYLEE WERTH 2014 CAMP PARTICIPANT

Youth Tour Contest Coupon

For an eligible high school junior to enter the competition, the cooperative office should receive this coupon **by January 31, 2015**. Mail or bring to: Western Cooperative Electric Association, Inc. 635 S. 13th St., P.O. Box 278, WaKeeney, KS 67672.

Name of Applicant _____ Student Email _____

Address _____ Town _____ Zip _____

Birth Date _____ Year in School _____

Name of Parents or Guardian _____ Electric Account Number _____

Parents' Phone Number _____ School _____

I agree that all information supplied in this application is accurate and true. _____
(Signature of Applicant)

I hereby grant permission for _____ to enter the 2015 Youth Tour competition sponsored by Western Cooperative Electric, Inc.

(Signature of Parent/Legal Guardian)

Varied Pieces Form the Electricity Rate Puzzle *Continued from page 16-A* ▶

fuel, and unforeseen changes in the operations of Sunflower's and Mid-Kansas' generating fleets. A base energy rate is already included in Western Cooperative Electric's monthly electric energy charge. When the cost of wholesale power rises above the base rate, the difference is passed on to the member. When the cost of wholesale power is below the base rate, the difference is reflected on the member's electric bill as a credit. The ECA charge is calculated monthly and allows for a more stable rate structure.

External Rate Pressures

Western Cooperative Electric, Sunflower, and Mid-Kansas boards of directors make every effort to keep rates affordable, but, unfortunately, outside influences have a significant impact. For example, costs associated with fortifying generation and transmission infrastructure, financial reporting procedures, and necessary upgrades to physical and cyber security, add to electricity costs.

Environmental regulations also impact the cost of electricity. When businesses are forced to comply with government regulations, the cost of compliance gets built into the price of goods and services, including electricity, thus increasing rates.

The demand for renewable energy has spurred the growth of wind developments in central and western Kansas and has provided an economic boost to many rural areas. However, this influx of wind energy on the transmission system has created electricity congestion due to the lack of transmission infrastructure, forcing Sunflower, Mid-Kansas and their member-owners, (including Western Cooperative Electric), to assume a significant share of the responsibility for building transmission capable of delivering wind energy out of the region to areas where it is

needed. These transmission projects add cost and ultimately increase electric rates.

Wind energy also impacts prices in the Integrated Market (IM), the new centralized dispatch approach for energy and ancillary services. If wind energy is available in the market at a time when it can displace higher cost resources, such as natural gas, wind energy is an economical benefit to wholesale rates. However, when the required use of wind energy displaces lower cost resources, such as coal or low-priced market energy, it becomes a detriment to wholesale rates. It is also important to note that all taxpayers help subsidize the cost of wind energy through Production Tax Credits.

The cost of fuel is still another aspect of the industry that is beyond control of electric utilities. Historically, coal has proven to be the most economical dispatchable generation resource, while the cost of natural gas can be extremely volatile. In fact, natural gas has doubled in price during the past year. Our diverse portfolio of generation resources—which includes coal, natural gas, wind, and a small amount of hydro—helps stabilize wholesale fuel prices, but as with every commodity, supply and demand of fuel dictate cost. When government regulations are implemented to limit the use of fossil-fueled generation—especially coal, the most cost-effective energy resource—the practice of utilizing diverse fuel resources to keep energy costs affordable will be impeded.

Electric utilities will continue to face many outside influences that cannot be controlled. However, we will continue to speak out regarding unreasonable regulations that impact the electric industry and will continue to implement rate design and strategies that are in the best interest of Western Cooperative Electric and those we serve.



Western's Payment Options

Western's members can now make payments through our website or by phone using a credit card or electronic funds transfer. To pay by phone, call our automated service at 800-330-1025, or call our main office to speak with a Western employee.

Through our website, you can also view your account, or enter your meter reading. You will have to set up a login and password the first time you do the online services. You will be prompted to enter your base account number and meter number.

All of these services are available at our website www.westerncoop.com.