



**WESTERN  
COOPERATIVE  
ELECTRIC**

*An Equal Opportunity Provider & Employer*

A Touchstone Energy® Cooperative 

P.O. Box 278, WaKeeney, KS 67672  
800-456-6720

[www.westerncoop.com](http://www.westerncoop.com)  
[www.facebook.com/WesternCoopElectric](https://www.facebook.com/WesternCoopElectric)

**WESTERN COOPERATIVE ELECTRIC**  
**NEWS**

**Western Cooperative  
Electric, Inc.**

**Board of Trustees**

**Craig Crossland**  
President

**Terry Hobbs**  
Vice President

**Richard Schaus**  
Secretary-Treasurer

**Landon Heier**  
Trustee

**Frank Joy**  
Trustee

**Marvin Keller**  
Trustee

**Charles Luetters**  
Trustee

**Susan Rohleder**  
Trustee

**Dale Weinhold**  
Trustee

**General Manager**

**Tom Ruth**  
General Manager

**Contact Us**

635 S. 13th Street  
P.O. Box 278, WaKeeney, KS 67672  
785-743-5561  
FAX: 785-743-2717  
[www.westerncoop.com](http://www.westerncoop.com)

**Like us on Facebook**

Be sure to LIKE us on Facebook! Just go to [www.facebook.com/WesternCoopElectric](http://www.facebook.com/WesternCoopElectric) to find co-op news, energy tips, photos from co-op events and more!



**FROM THE GENERAL MANAGER**

**Results of Western's 2019 Rate Study**

1945-2020—in a few months, Western's consumer-members can celebrate the 75 years their member-built, -owned and -operated electric cooperative has steadfastly served its membership. This great accomplishment can be attributed to consumer-members, board and staff focusing on what was needed for the good of the whole, such as making wise financial decisions and investing in new technology.

Western takes pride in providing an essential service that impacts the way of life our consumer-members value. Like all businesses, to remain successful, Western must set rates that recover the cost of providing electric service as well as prepare for future challenges. The difference between investor-owned electric utilities and electric cooperatives, like Western, is we are committed to operating at the lowest cost necessary versus growing profits for shareholders.

In early 2019, Western's member-elected board hired an independent consultant to conduct a cost-of-

service study to aid in managing the cooperative's funds, ensuring quality service and making prudent financial decisions. The study not only identified the cost of providing service, but also the cost of technologies needed to provide better service to our members, prevent long outages and improve reliability.

Power Systems Engineering (PSE) completed the study in May and assisted in analyzing the study to ensure overall adequate revenues and equitable rates among all classes of consumer-members.

The study identified an anticipated flat demand for electricity through 2037. In addition, the study showed that Western's current services cost \$670,000 more than is being recovered through electric rates, with the largest



**Tom Ruth**

*Continued on page 16B ►*

*Fall Back on Nov. 3*

On Sunday, Nov. 3, remember to turn your clocks back one hour. It is also a good time to change the batteries in your smoke detectors and have a professional check your fire extinguishers.



## Representing Members and Fighting for Fair Rates

Sunflower Electric Power Corporation and Mid-Kansas Electric Company provide Western Cooperative Electric with wholesale generation and transmission services and are actively engaged at the state, regional, and federal levels to promote policies in the best interest of their members-owners, which includes Western Cooperative Electric. Numerous working groups and committees at the Southwest Power Pool, the regional transmission organization to which Sunflower and Mid-Kansas belong, necessitate a high level of involvement by Sunflower staff on our behalf.

The SPP is a member-owned organization that oversees the bulk electric grid and wholesale power market in 14 states covering 546,000 square miles. In relation, SPP acts as the “air traffic controller” of the power grid by ensuring power gets to customers and eliminating power shortages. In addition to facilitating the Integrated Marketplace in which generation is bought and sold, SPP develops transmission upgrade plans and designs tariffs to maintain adequate compensation by businesses that use utility transmission assets.

SPP has 99 members made up of a diverse group of electric utilities, including electric cooperatives, investor-owned utilities, municipal systems, and independent power producers. SPP’s members appoint staff to participate in any working committees to analyze and develop solutions for various topics.

Because the issues are complex and the outcomes are important to all ratepayers at the end of the line, Sunflower has continued to be active in SPP’s working committees. One targeted effort has been discussion with the SPP board and membership covering the current transmission cost allocation method negatively affecting ratepayers in wind-rich areas like that of Sunflower and Mid-Kansas.

While Sunflower and Mid-Kansas are two of the smaller electric utilities in the SPP, over the course of several years their compelling research and consistent interaction at SPP have prompted SPP and its members to review a number of issues.

One such example is the March 2018 creation of the Holistic Integrated Tariff Team, also referred to as HITT, to take a holistic look at many issues challenging the SPP region. In July, the HITT delivered 21 recommendations likely to be assigned to SPP’s committees and working groups for consideration. Included in the HITT report are recommendations to establish local planning criteria and create new pricing zones, two issues on which Sunflower staff have been actively involved because they impact consumer-members like you.

More work has yet to be accomplished, but rest assured through Sunflower and Mid-Kansas, Western Cooperative Electric has a seat at the table. It’s just one way your cooperative is working for you.

### List of Public Meetings 6-7:30 p.m.

- ▶ **OCT. 7 – WAKEENEY**  
Western Cooperative Electric  
635 S. 13th St.
- ▶ **OCT. 10 – ELLSWORTH**  
Ellsworth American Legion  
645 W. 15th St.
- ▶ **OCT. 16 – PLAINVILLE**  
Plainville High School Auditorium  
202 S.E. Cardinal Ave.
- ▶ **NOV. 6 – GRINNELL**  
Grinnell Senior Center  
105 S. Adams St.
- ▶ **NOV. 7 – OLMITZ**  
Western Cooperative Electric – Olmitz  
21 Cleveland Ave.
- ▶ **NOV. 11 – SCHOENCHEN**  
Schoenchen Community Center  
209 Front St.

### Results of Western’s 2019 Rate Study *Continued from page 16A* ▶

shortfall occurring from the residential and irrigation service rate classes.

Fiscal responsibility and fairness to all of Western’s consumer-members require an overall rate increase of 1.9%, with larger increases from the rate classes currently under recovering the most. While the rate increases vary according to class, the average impact on a residential bill will be approximately \$8.27 per month. If approved by the board, rate changes will be implemented in 2020.

The decisions made by the board affect us all. As a not-for-profit, member-owned utility, Western’s employees and board members pay the same electric rates and experience the same level of service alongside our consumer-members. We hope this fact, as well as our commitment to transparency, assures you that the rate change—like all other decisions—will be considered carefully

and with the best interest of the entire membership in mind.

Results of the study are being communicated to our members in many ways, including consumer-member informational meetings scheduled in six locations across our system: WaKeeney, Ellsworth, Plainville, Grinnell, Olmitz and Schoenchen. I look forward to seeing you at one of our gatherings.

Please follow us on Facebook and visit our website for more information. As always, if you ever have a question or concern, don’t hesitate to contact me at [tomr@westerncoop.com](mailto:tomr@westerncoop.com) or 785-743-5761.

Nearly 75 years, that’s a big deal. You, our consumer-members, are the reason we will be successful for the next 75 years. Thank you for your continued support and participation in YOUR cooperative!

**TOM RUTH, GENERAL MANAGER**

# Fixed vs. Variable Cost Structure

Why is it important to recover fixed costs through fixed charges? First, we need to explain how we purchase power as a cooperative and how we sell that power to you, our consumer-members.

Western's wholesale power supply has a large fixed cost component. In contrast, when Western sells power to our consumer-members, most of our revenue comes through variable charges (i.e., kWh energy rates) as opposed to fixed charges (i.e., the monthly customer charge or demand charges).

In the 2014 article from Power Systems Engineering, Inc. (PSE), "The Nature of Costs", Rich Macke, Vice President at PSE explains why

its important to recover fixed cost through fixed charges. Macke explains how this mismatch between how costs are incurred when the cooperative buys power (fixed cost) and recovered when the cooperative sells power (variable cost) to consumer-members, causes a misalignment of cost and rate structures and creates the risk of over or under collection from consumer-members in each rate class.

The costs of providing electric service are increasing at a faster pace than growth and electricity sales. Absent rate increases, this environment of rate structure misalignment combined with increasing costs eventually results in reduced annual margins, reduced equity, deferred capital projects, decreased reliability and the inability to maintain capital credit retirements.

Residential rates are especially susceptible to this risk. Not only are rates not typically in alignment with costs, but sales to residential members are also subject to substantial volatility related to weather, economic conditions, conservation, energy efficiency and to a growing extent, customer-owned generation.

Simply setting the rate structure so fixed costs are collected in fixed charges and variable costs are collected in variable charges is not easy due to competing rate design objectives. This is not unusual because of the complexity of the issues that exist to some degree within every electric utility. Some of those competing objectives include maintaining healthy financial metrics required by lending institutions, maintaining the cooperative's objectives to return excess capital to members, fairness, acceptability, pricing signals, adequacy and preventing costs from being shifted among rate classes or among members of the same rate class.



The majority of a Western's revenue stream comes through variable charges (i.e., energy rates) versus fixed charges (i.e., customer charges). When there is a misalignment of cost and rate structure and a significant amount of fixed costs are being recovered through energy sales, the risk increases of over- or under-cost recovery within rate classes. When energy sales are greater than or equal to forecasts, revenues and margins are typically strong. When energy sales are less than forecasts, it increases the risk of insufficient margins to satisfy our financial objectives. This risk increases as we get further apart in how wholesale costs are incurred (mostly fixed) and how they are recovered (variable energy usage). Considering current economic conditions, energy efficiency and conservation initiatives, increasing fixed charges is in the best interest of the consumer and the cooperative.

Raising the fixed cost recovery is a strategic business decision. It helps stabilize the cooperative's finances and reduces variation in under-recovery on small usage accounts and collecting too much on large users. Setting retail rates in a manner that stabilizes the collection of fixed costs in a fair and equitable manner is a primary goal.

**INTRODUCING**

**WESTERN COOPERATIVE ELECTRIC**



**PREPAY POWER**

**PAY AS YOU GO.**

Available for residential rate consumer-members

**PrePayPOWER is a pay-as-you go billing option.**

-  **You put credit on your account.**
-  **You make your payments when you want and how you want.**
-  **Your electric charges are subtracted daily from your pre-paid account.**
-  **No deposit, late fees, or due date!**
-  **This program gives you the power to monitor your electricity usage online and adjust your usage to save money.**

Call us today  
**1-800-456-6720**  
to switch to  
**PrePayPOWER!**



A Touchstone Energy Cooperative