



A Touchstone Energy® Cooperative 

P.O. Box 390, Fredonia, KS 66736

620-378-2161

www.radiantec.coop

**RADIANT
ELECTRIC CO-OP**

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Contact Us

9346 Jewell Rd, P.O. Box 390

Fredonia, KS 66736

620-378-2161

www.radiantec.coop

Office Hours

Monday–Friday, 8 a.m. to 5 p.m.

Rate Study Part 3: Cost-of-Service Study

In the last two months, we have discussed the rate study being undertaken by the co-op. A rate study is a necessary responsibility of management and the board of trustees of Radiant Electric Co-op to ensure that the co-op continues to operate in a financially sound manner. In the first article, we discussed the rate study process from beginning to end. Last month, we discussed one aspect of the study—the co-op's revenue requirement. This month, we will examine another aspect of the co-op's rate study, the cost-of-service study.

The cost-of-service study, as the name implies, is simply an analysis of the co-op's costs identified during the revenue requirement study. While the revenue requirement study will examine what the costs are, the cost-of-service study will examine how and

why the costs are incurred. Answering the questions of how and why the costs are incurred allows for the costs to be assigned fairly and appropriately using traditional ratemaking principles. The costs and expenses of the co-op are examined in a number of different ways as part of this study. For example, there are costs associated with the generation and transmission of power and energy. These costs are paid to our power supplier, Kansas Electric Power Co-op (KEPCo). There are also costs incurred in distributing the electric power and energy to you, the member, such as the costs for poles and lines, trucks and buildings, and employees. An attempt is made to assign and apportion those costs according to the appropriate category.

Costs are also analyzed by func-

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#ThankALineman on April 10 for Lineman Appreciation Day

April 10 is Lineman Appreciation Day in recognition of the valuable contributions of linemen as first responders to the electric co-op family, putting their lives on the line to keep the power on and keep our members safe. On April 10, don't forget to thank a lineman! #ThankALineman

At right, Radiant's line crew includes (from left) Ed Bambick, warehouse clerk; Larry McVey, line supervisor; Benny Stephens, lineman; Cash Baker, apprentice lineman; Ryan Huser, lineman; Allen Miller, apprentice lineman; Glen Seiler, staking; Tracy Tindle, line crew chief; Jeff Reed, lineman; and Jacob Gillum, lineman.



What is Retail Wheeling?

Retail Wheeling means a massive restructuring of the electric utility industry as we know it in Kansas. The concept would dismantle existing utilities and enable customers to choose their generator of electricity. This concept is also known as deregulation or customer choice.

Kansas Electric Co POLICY PRI

As a member of Radiant Electric, you know that providing safe, affordable and reliable electricity is our top priority 365 days a year. But it might surprise you to know how much of the work we perform can be affected by what lawmakers and regulators are doing in Topeka and in Washington, D.C. That is why cooperatives all across the country join together in making sure our leaders know what is important to cooperatives and their members.

We do this, in part, through membership in our statewide association Kansas Electric Cooperatives, Inc. (KEC) and the National Rural Electric Cooperative Association (NRECA). Both groups represent the interests of electric cooperatives before lawmakers and regulators—and they count on our participation to be most effective.

Electric cooperatives across the country were active in the recent Cooperatives Vote initiative to encourage rural participation in grassroots political initiatives and increase voter turnout. Electric cooperatives from Kansas led the nation in engagement in this initiative, and Radiant Electric was named a 5-Star Cooperative for our participation in Cooperatives Vote.

In April, more than 30 electric cooperative leaders from Kansas will join hundreds of other electric cooperative representatives at the NRECA Legislative Conference in Washington, D.C. Electric cooperatives use this opportunity to advocate for public policies that are driven by our member's interests and needs. Overreaching federal regulations have a significant negative impact on rural America, so cooperatives are asking Washington policymakers to revisit



Is it possible to save money?

That depends on the market price for electricity to you as a customer. Large commercial or industrial customers are pushing 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. We believe that unless all customer classes will benefit, retail wheeling should not be approved in Kansas.

What's wrong with this idea?

We are accustomed to choice in nearly all our retail transactions. However, choosing where to eat lunch is a much less complicated decision and has 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.



-ops' ORITIES

a number of federal rules that have hurt rural communities and threatened cooperatives' mission to provide affordable and reliable electricity.

We are also looking at policies such as the Endangered Species Act and Clean Power Plan to ensure that they carefully balance the nation's environmental and economic goals without imposing undue burdens on rural America.

We have got our hands full in Topeka as well. The Kansas Legislature currently has at least six different pieces of legislation that would bring disruptive change to the electric utility industry. We hope none of the bills will be considered seriously, but there is a movement underway to enact retail wheeling.

Advocates note that about a dozen states allow retail wheeling, or customer choice of their electricity provider, but that does not mean it has been good public policy. Several 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. Kansas considered this concept 20 years ago and determined it was not a good idea then. We believe it has even less merit today.

Retail wheeling would mean that consumers would have to deal with not one but several utility entities. Your current electric provider 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 two to secure the actual kilowatts needed to keep your lights on. Those plans can be complex, misleading and fleeting. And in the end, a market price does not mean a lower price.

As previously stated, providing safe, affordable and reliable electricity is our top priority 365 days a year. Your cooperative employees and their representatives are dedicated to this mission, whether they work on a line crew, in engineering, customer service, accounting, administration, or management—and sometimes even in Topeka and Washington, D.C.

What's the risk in giving it a try?

Native utilities, including your co-op, will be forced to restructure in order to become energy marketers. In some states, utilities have been required to divest generation assets. 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. Electric cooperatives serve smaller numbers of customers per mile of line. If electric cooperatives see large customers "cherry-picked" and they lose that electric sales revenue, the cost to run the cooperative will be paid by remaining customers through higher monthly charges for administration, transmission and delivery of your electric service.

Will this mean more power lines in my area?

Probably not. Your current utility will still be needed to arrange for transmission and delivery of the electricity to your meter. So approximately two-thirds of your bill is a fixed charge and would remain unaffected by restructuring. In fact, the only part of your electric decision that would likely be competitive is who produces your electricity.

How has it worked in other states?

Some customers win and some lose in a fluctuating energy market. There is no data that indicates long-term customer savings – except in states that started with very high rates. Fortunately, Kansas already enjoys moderate utility rates so savings are less likely. One thing is certain in every state – customers must make another complicated and important decision. There is less regulation and recourse if your electricity marketer goes out of business and your house no longer has access to electricity.

Local Event Calendar

CHANUTE

APRIL 1 – Neosho Valley Spring Art Exhibit at the Chanute Art Gallery.

APRIL 6-8 – Neosho County Community College performance of “Sweeny Todd: The Demon Barber of Fleet Street.”

APRIL 8 – City-wide Garage Sale: Sponsored by the Chanute Tribune.

APRIL 8 – Elk Club Annual Easter Egg Hunt.

APRIL 28-29 – Chanute Community Theatre presents “Meshsuggah Nonsense”: 7:30 p.m., Memorial Auditorium.

APRIL 29 – Safari Family Fun Day.

APRIL 29 – Welding Rodeo at the Chanute Art Gallery.

FREDONIA

APRIL 14 – Fredonia Regional Hospital Easter Egg Hunt: 3 p.m., ages three to 10.

APRIL 15 – Fredonia Regional Hospital Health Fair: Free lab work from 8 a.m. to 11:30 a.m. at Fredonia High School, 916 Robinson St.

APRIL 19 – Wilson County Conservation Auxiliary Plant Swap: Gather at 5 p.m., Fredonia West Park Shelter House (near fairgrounds), swap plants, seeds, bulbs, rhizomes, tools, and other garden-related items.

Welcome New Members

High Plains Drifter & Outfitter – *Altoona*

Trevor Chism – *Buffalo*

Jenell Straqck – *Buffalo*

Kelsey Harding – *Cherryvale*

Justin King – *Cherryvale*

Shanise Blalock – *Coffeyville*

Tammy L. Willis – *Coffeyville*

Danielle Haddouch – *Fall River*

Edward Warden – *Fall River*

Anthony Schultz – *Fredonia*

Patricia Cohoon – *Hutchinson*

Mary Darby – *Independence*

Treasure Hoag – *Thayer*

The Value of Cooperative Membership

OUR MISSION. Electric co-ops were established to provide at-cost electric service. Providing safe, reliable and affordable power has remained our mission since day one.

You are a member, not a customer. Co-ops are unique businesses because they are owned by you, the member. This means you have a voice in the way we run the co-op. Members elect the co-op's board of directors and have the ability to run for a seat on the board if they wish to do so. Your vote and participation help shape the direction of the co-op.

We are not-for-profit. Unlike investor-owned utilities, which are operated to make the most profits for stakeholders, electric co-ops do not earn profits. Instead, any margins or revenue remaining (after all expenses have been paid) are returned to members in the form of capital credits. Capital credit returns are based on each member's years of participation in the co-op.

We are local, community-focused businesses. Because we are

owned by the members we serve, electric co-ops have a strong commitment to our local communities. In addition to providing safe, reliable and affordable power, electric co-ops are involved in local community development programs and projects, such as Habitat for Humanity, Relay for Life, and scholarship programs.

We are guided by a set of principles. All co-ops operate according to the same set of Seven Co-op Principles: voluntary and open membership; democratic member control; members' economic participation; autonomy and independence; education, training and information; cooperation among co-ops; and concern for community. These principles guide every decision made by the co-op.

We are committed to innovation. Because we answer to local members rather than far-away shareholders, electric co-ops are able to respond to member needs. We are committed to experimenting and innovating in ways that benefit the local communities and members we serve.

Rate Study Part 3: Cost-of-Service Study *Continued from page 16-A* ▶

Each month, your bill includes a customer charge. The customer charge is identical for each of the members of that particular customer class. The cost-of-service study will identify the appropriate costs for the customer charge. The remainder of your bill is typically represented by a per-kilowatt-hour charge. This charge includes a component for your demand (the amount of energy you require at a given point in the month or year) and energy (the amount of energy you consume).

The utility plant that is included in the rate base, the revenues derived from electricity, and the expenses incurred are then assigned to the different customer classes at the co-op. The co-op currently has four customer classes, including non-

commercial service, non-commercial service heating, general service small, and general service large. Allocating the rate base revenues and expenses to each of the customer classes allows the co-op to then project the rates of return of each customer class. One goal of any rate is to have a fair rate of return for each of the customer classes at the co-op.

Members always question why a rate for one type of service is different from another type of service. How much energy you use, when you use it, and how your usage varies all have an effect on the cost to provide you with electric service. Those varying costs are examined as part of the cost-of-service study.

Next month, we will examine the final phase of the co-op's rate study, the rate design.