



A Touchstone Energy® Cooperative 
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**LANE-SCOTT
ELECTRIC COOPERATIVE**

Connections

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In Case of an Outage

If your electricity is off for more than a few minutes, call 800-407-2217. Office hours are 8 a.m. to 5 p.m. After-hours calls will be answered by the dispatch and standby personnel.

24-hour Electrician Service

If you are without electricity or have an electrical emergency on your side of the meter, we have a master electrician on staff available 24 hours a day.

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 approve rates that meet the near and long-term goals of Lane-Scott 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:

▶ **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 trans-

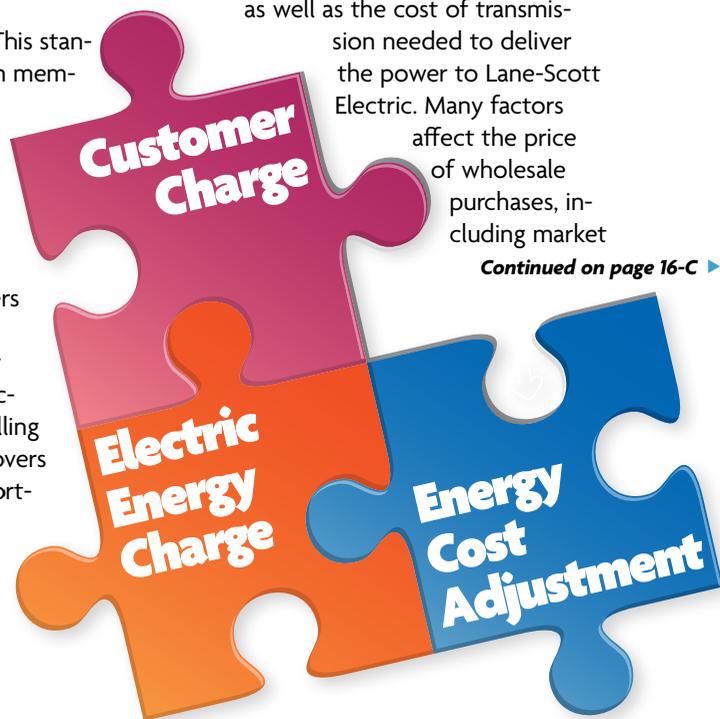
mission facilities over distribution lines and through transformers to a member's meter. It also includes expenses that stay the same regardless of other factors or the level of sales, such as rent, utilities, staff salaries, taxes and depreciation on buildings.

▶ **kWh 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, Mid-Kansas, and the market. 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 transmis-

sion needed to deliver the power to Lane-Scott Electric. Many factors affect the price of wholesale purchases, including market

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Electricity Rate Puzzle *Continued from page 16-B* ▶

fluctuations, transmission congestion, weather, changes in the price of fuel, and unforeseen changes in the operations of Sunflower's and Mid-Kansas' generating fleets. A base energy rate is already included in Lane-Scott 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

Lane-Scott Electric, Sunflower, and Mid-Kansas Board of Trustees 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 Lane-Scott 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 Lane-Scott Electric and those we serve.

Lane-Scott Welcomes Griffith to Board

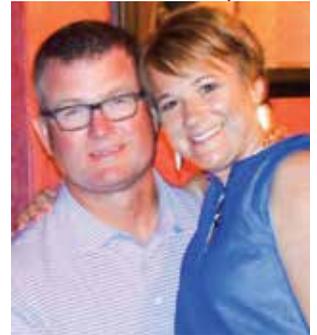
CHAD GRIFFITH was appointed to the Lane-Scott Board of Trustees to complete the term of Bruce Wilkins.

He graduated from Scott Community High School in 1986 and from Kansas State University with a degree in Business Administration-Finance in 1991.

He operated Griffith Cattle Company from 1991-1999; was a grain merchandiser, risk manager, controller for Fairleigh Companies from 1999-2007 and from 2007-2008 was a loan officer at Western State Bank of Scott City. Currently, he owns and operates his farm and ranch in Scott, Logan, Wallace counties.

He and his wife, Suzanne, have four children: Brinlee, 23; Maris, 19; Cooper, 17; and Gui, 10.

The Griffiths are members of First Baptist Church of Scott City. Griffith has been active on several boards over the years and currently is on Park Lane Nursing Home board of directors.



Chad & Suzanne Griffith

Holiday Office Closings

Our office will be closed Christmas Day, December 25 and New Year's Day, January 1, so that employees may spend the holidays with their families. On behalf of the Board of Trustees, management and employees, we'd like to wish all of our members a very Merry Christmas and blessed New Year!

