



# Lyon-Coffey Events

## Lyon-Coffey Electric Cooperative, Inc.

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## Letter From The Manager



Scott Whittington

The most difficult challenge we face today as an electric cooperative in Kansas is the high cost of fuel for electric generation. With oil prices over \$70 a barrel, natural gas fluctuating wildly from day to day, railroad companies raising their fees to deliver coal to plants in Kansas, and lack of rain for the hydro generators across the Midwest, it's no wonder that energy costs are on everyone's mind these days.

The electricity provided to serve your homes and businesses comes from a variety of sources. Having diversity in this power supply in today's world is a good thing. We currently receive energy from Wolf Creek Nuclear Generating Station, hydro-electricity, Westar, KCPL, Sunflower Electric Power Corporation and the Sharpe diesel powered peaking plant. Under current conditions the least expensive of these sources is hydro.

Unfortunately, this year we only received 12% of our energy from hydro when we normally get closer to 20%. Drought conditions across the U.S. severely limited the production of hydro-electricity.

In order for us to provide you the electricity you needed this summer, it was necessary to purchase this shortfall of power on the open market. This factor, along with higher costs in producing other energy sources, resulted in a much higher energy cost adjustment on your bills. The Board of Trustees and management have been working with other cooperatives to find avenues to stabilize your costs of energy today and in the future.

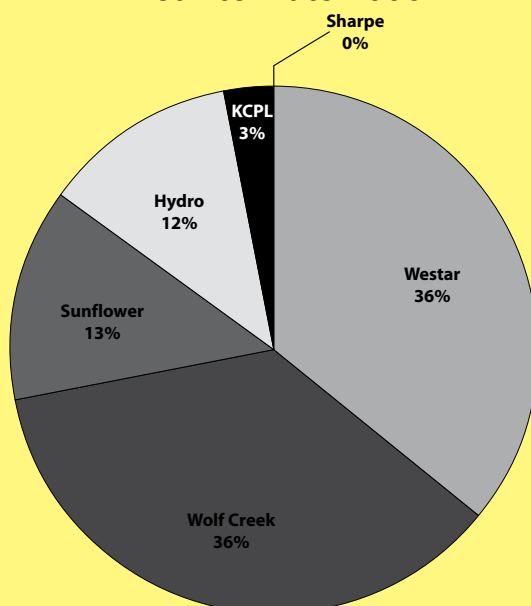
Another component of your electric bill is the rate you pay for service to your home or business. Have you ever wondered how

those rates are established?

The revenue derived from the rates paid by the members for electric service funds the operation of the cooperative. The energy cost adjustments (ECA) mentioned above are not included in these rates. It is the responsibility of the Board of Trustees and management to examine rates periodically to determine they are reasonable and will allow the cooperative to fulfill its obligations to both the membership and the cooperative's lenders. The cooperative will soon begin a rate study to accomplish this duty. The last time rates were adjusted at Lyon-Coffey Electric Cooperative was 1993.

Rate studies in of themselves are complicated. In a sense, it is an effort to predict the future financial needs of the cooperative. The study will attempt to answer questions such as: What revenue will be required to fund the operations of the cooperative? What is the fairest way to collect these revenues through different rates? What external factors

### Lyon-Coffey Energy Sources Year-to-Date 2006



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# Implement Dealership Receives Funds Through Lyon-Coffey

Lyon-Coffey Electric Cooperative was successful in securing funding of \$740,000 to assist in the construction of a new implement dealership facility which is expected to create nine full-time jobs. The project will meet the present needs of the company and also allow for future expansion.

This loan was made possible through the USDA's Rural Economic Development Loan & Grant Program (REDLG), which provides assistance through local rural electric cooperatives to strengthen our nation's economy.

The REDLG program helps "stimulate the economy, support renewable energy, promote business development and improve medical services in rural communities," said Secretary of Agriculture Mike Johanns.

"Lyon-Coffey appreciates the opportunity to work with USDA Rural Development," Scott Whittington, Manager of Lyon-Coffey Electric said. "The agency has great programs, and this partner-

ship helps create more good jobs. Lyon-Coffey is committed to serving our rural communities."

Under the REDLG Program, the Agency will make a zero-interest loan to the local rural utility cooperative. Upon receipt of the loan proceeds, following execution of loan documentation and meeting the conditions of the program, the cooperative will then pass the loan proceeds on to the local applicant to finance job creation efforts. Funds can be used for a variety of purposes, including community facilities and infrastructure, improving access to local medical care and other projects that encourage a favorable climate for job creation and economic growth.

For more information concerning the REDLG Program or any of our Lyon-Coffey Electric economic development programs, contact our member service department at (620) 364-2116 or log onto the state's USDA website at: [www.rurdev.usda.gov/ks](http://www.rurdev.usda.gov/ks).

## Letter From The Manager

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will affect the financial aspects of the cooperative? What effect will weather have on operations? And many more.

The rate study will have multiple stages and it is our intent to keep you informed throughout this process. Revenue requirements, cost-of-service study and rate design will be the key components. Lyon-Coffey will be assisted in this activity by Doug Shepherd, of Kansas Electric Cooperatives, Inc. The exact start date is yet to be determined as Shepherd is currently assisting a few other cooperatives in the same endeavor. If you have any questions along the way please let us know.

### Thank You for Your Patience & Cooperation

Lyon-Coffey linemen have been working on ice storm damage repair for almost a year now. They have worked long hot hours all summer to complete as much repair as possible before winter.

In order to work safely, a lot of conductors were replaced with the electric power off. That meant some of our members spent daytime hours with no electricity while the temperatures soared to more than 100 degrees. We appreciate your patience and cooperation very much during this process.

The end result will be better equipment to provide more reliable service for you and more resistance to damage should future storms occur. We realize that it was uncomfortable and inconvenient so we want to take this opportunity just to say thank you for helping us!



**Economic Impact.**

- From Main Street storefronts to Fortune 500 companies, cooperative business creates jobs and economic growth.
- We generate over \$229 billion in revenues annually.
- We employ more than half a million Americans.
- Our payrolls top \$15 billion a year.

And because cooperatives are owned by their customers, what's spent there stays there, benefiting our communities again and again.

**Cooperatives.**  
Owned by Our Members,  
Committed to Our Communities.

