



A Touchstone Energy® Cooperative 

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FLINT HILLS RURAL ELECTRIC COOPERATIVE

NEWS

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FROM THE MANAGER

Rate Study: Revenue Requirements



Chuck Goeckel

Last month we talked about why the cooperative needs to conduct a rate study and the components that make up the rate study process.

Over the next three months I want to discuss each component in more detail so that you can understand the entire rate study process.

The purpose of the rate study is to determine whether the existing rates are sufficient to enable the cooperative to provide quality electric service to its consumer-members while meeting its service obligations to its lenders.

There are several phases to the rate study, and this month we will discuss the revenue requirement phase.

The revenue requirement is simply an analysis of the cooperative's existing revenues and expenses as a tool to predict future revenues and expenses. If we could accurately predict the future, this would be an easy process, but fortunetelling is not a recognized science. Instead, the traditional rate process utilizes a "test year." The test year is simply a 12-month period of time that is used to predict future periods. For the most recent cost-of-service study, which was completed November 2021, calendar year 2020 was selected as the test year.

The revenue requirement aspect of the study also examines investments needed, such as new poles, wire, and other plant maintenance, to provide safe and reliable electricity to consumer-members. A determination is made as to what investments will be included in the rate base used to

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Member Services

- ▶ Viasat Internet Services
 - ▶ Online Payment Options
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- For more information, call us at 620-767-5144 or visit our website at www.flinthillsrec.com.

This institution is an equal opportunity provider and employer



LABOR Day
Office Closing

In observance of Labor Day, our office will be closed on **MONDAY, SEPT. 5.**

It's a Matter of (Co-op!) Principles

Flint Hills REC employees are thankful to be in such an incredible place at our cooperative. We are fortunate to live in the same place where we work, which makes our ties to this community that much stronger.

Last month, we touched on the first three Cooperative Principles, so this month, we'd like to tell you about the remaining four principles. The Cooperative Principles are essential to the co-op business model and benefit all consumer-members of the co-op.

Autonomy and Independence

The fourth principal, Autonomy and Independence, means that the co-op operates in an autonomous way that is solely directed and guided by its consumer-members, reflecting the values and needs of our local community. This means the co-op is not being influenced by leaders or shareholders several states away. Instead, the co-op is led by the local members it serves.

Education and Training

The fifth principle, Education and Training, focuses on enhancing the knowledge of co-op employees and board members, which enables them to contribute to the development of the co-op.

By investing in continuous learning for our employees and board members, our co-op is making a commitment not just to individual professional and personal growth, but to the future of the co-op and the high quality of service our consumer-members expect and deserve. It's a win-win situation.

We also strive to inform our consumer-members (that's you!) and the public about the mission and operations of

the co-op. In fact, that's why you receive this magazine every month, so we can share the latest co-op news and updates, as well as energy efficiency and safety tips.

Cooperation Among Cooperatives

Cooperation Among Cooperatives is the sixth principle and fosters the way co-ops work together to address bigger challenges. While this principle applies to all types of cooperatives, it is especially relevant in the energy industry. In our case, we put this principle in action after major storms and disasters that cause widespread power outages. When this happens, we call on nearby co-ops to come to our aid and assist with restoration efforts — and we of course extend the same help to them when they need us — a great example of cooperation among cooperatives.

In addition, because we are part of the national electric co-op network, we can connect and collaborate with other electric co-ops to tackle industry-related challenges, like cybersecurity and an everchanging energy landscape.

Concern for Community

The seventh principle, Concern for Community, is essential to who we are as cooperatives. We serve our community not only by being an essential service, but by helping to power our local economy. Whether through economic development, volunteerism, or donations to local causes, we invest in this community because it's our home too.

You'll find that most cooperatives bring good people together to make good things happen in the community. We hope you feel that way about us, your local electric co-op.

On behalf of everyone at Flint Hills REC, we're thankful for your membership.

Rate Study: Revenue Requirements *Continued from page 12A* ▶

determine rates. Any investment that becomes part of the cooperative's rate base must be used and useful in providing electric service to consumer-members.

The revenue requirement portion of the study also looks at the cooperative's rate of return and examines how much patronage capital is contributed by consumer-members and how much debt is taken on by the cooperative.

The study examines the cooperative's capital credit policy and whether our patronage capital objectives are being met through current rates. Flint Hills REC will also review the cost of the debt it incurs versus the cost of its consumer-members' equity used in financing the operations of the cooperative.

Finally, the study will examine how much margin the

cooperative should generate from rates to meet lender requirements. The margin is the difference between what the cooperative receives for providing electric service applied against what it costs to provide electric service. These margins, if any, are allocated to the consumer-members at the end of each year in accordance with the cooperative's not-for-profit member-owned status.

From this study, Flint Hills REC knows what revenue needs to be collected from consumer-members to fulfill our mission to provide a safe, reliable and affordable power supply and service.

Look for more information on the cost-of-service study in next month's *Kansas Country Living* magazine.



VOLUNTARY AND OPEN MEMBERSHIP



DEMOCRATIC MEMBER CONTROL



MEMBERS' ECONOMIC PARTICIPATION



AUTONOMY AND INDEPENDENCE



EDUCATION, TRAINING AND INFORMATION



COOPERATION AMONG COOPERATIVES



CONCERN FOR COMMUNITY

UNDERSTANDING THE 7 COOPERATIVE PRINCIPLES

Cooperatives around the world operate according to the same set of core principles and values, adopted by the International Cooperative Alliance. These principles are a key reason why America's electric cooperatives operate differently from other electric utilities, putting the needs of our members first.

1 VOLUNTARY AND OPEN MEMBERSHIP

Co-ops are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2 DEMOCRATIC MEMBER CONTROL

Co-ops are organizations owned and controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In co-ops, members have equal voting rights (one member, one vote).

3 MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their co-op. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-op, setting up reserves, benefiting members in proportion to their transactions with the co-op, and supporting other activities approved by the membership.

4 AUTONOMY AND INDEPENDENCE

Co-ops are self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-op autonomy.

5 EDUCATION, TRAINING AND INFORMATION

Co-ops provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-ops.

6 COOPERATION AMONG CO-OPS

Co-ops serve their members most effectively and strengthen the co-op movement by working together through local, national, regional and international structures.

7 CONCERN FOR COMMUNITY

While focusing on member needs, co-ops work for the sustainable development of their communities through policies accepted by their members.

NATIONAL FARM SAFETY and HEALTH WEEK

Farm Safety and Health Week is Sept. 18-24! Whether you live on a farm or in the city, always play it safe near power lines and other electrical equipment.

