

# CURRENT TIMES

A **White River Valley Electric Cooperative** Publication



From the WRVEC board of directors:  
**Your Annual Meeting  
Motion Answered**





# YOUR ANNUAL MEETING MOTION IS ANSWERED

A motion was passed at the 2018 Annual Meeting of Members requesting your board of directors to review “the existing contract... between Associated Electric Cooperative and White River Valley Electric” and to report back to our members. So there is no confusion, there is no wholesale power contract between Associated Electric Cooperative (Associated) and White River Valley Electric Cooperative (WRVEC). WRVEC receives all its wholesale power and related transmission services directly through contracts with Sho-Me Power Electric Cooperative (Sho-Me) and KAMO Power (KAMO), the two generation and transmission (G&T) cooperatives serving WRVEC’s service area. To understand these contracts, our members must first understand the history behind them.

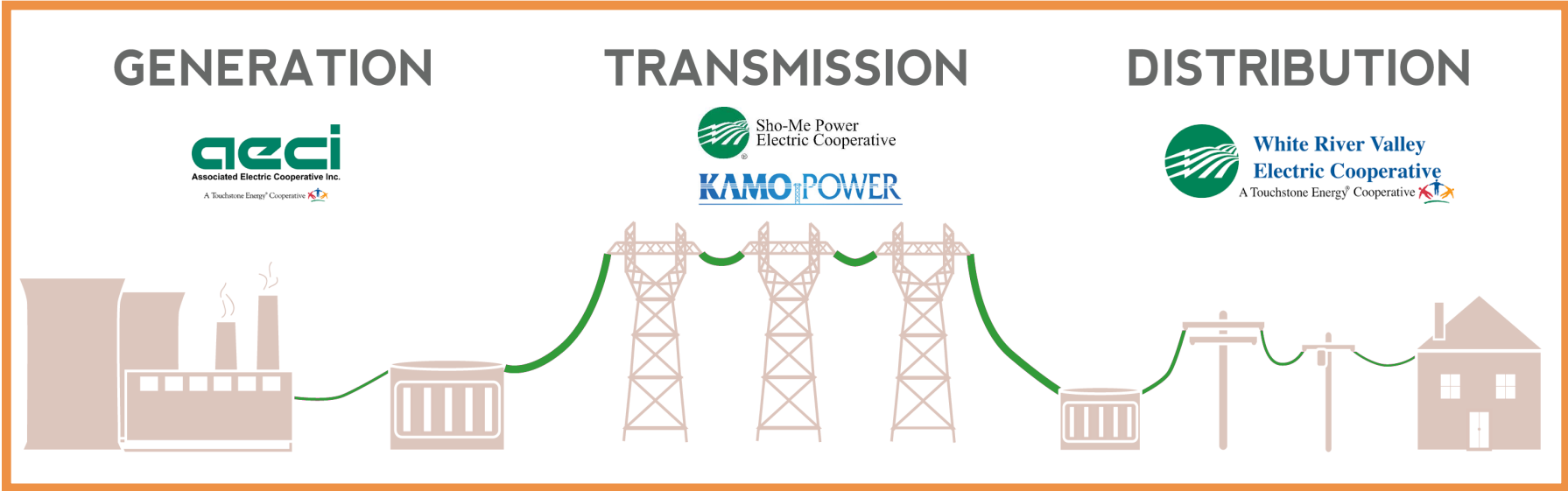
## OUR COOPERATIVE SYSTEM

During the early years of its existence, WRVEC had to buy its power from private for-profit utilities, often at high costs, with WRVEC having little bargaining power. In order to better serve its members and meet the growing demand for reliable, more affordable power, WRVEC signed wholesale power contracts with Sho-Me in 1948 and KAMO in 1960. Associated was created in 1961 by Sho-Me, KAMO and four other generation and transmission cooperatives (G&Ts) to generate power for their growing systems. Associated owns or contracts for all of the generation that serves these G&Ts and their member distribution cooperatives, including WRVEC. The power generated by Associated is transmitted on high

voltage transmission lines by Sho-Me and KAMO to WRVEC. WRVEC then distributes the power to homes and businesses in our service area. Through representation on the Sho-Me and KAMO boards, WRVEC has ownership and a voice in the direction of their wholesale power supply.

## WHOLESALE POWER CONTRACTS

The foundation of this three-tiered cooperative system are the Wholesale Power Contracts, which represent a strong tie from WRVEC to the G&Ts and then to Associated. Under these contracts, WRVEC agrees to purchase all of its power from KAMO and Sho-Me, who are obligated to provide 100 percent of WRVEC’s energy 24/7/365. The two wholesale power contracts are identical in all material respects.



Three-tiered system: Power is generated by Associated, transmitted on high-voltage transmission lines by Sho-Me & KAMO, and then distributed to your home or business by WRVEC.



These contracts also define WRVEC’s service area and require Sho-Me and KAMO to provide transmission service to the substations where WRVEC takes delivery of the power. Seeing significant benefits, the contracts have been reviewed and were last extended by your board and all other area cooperative boards in 2015. They are in place through 2075.

The contracts enable the planning, building and operation of a reliable transmission network. Without these agreements in place, it would be difficult to justify and recoup the enormous cost of the physical assets that reliably transmit power through the tiers of cooperative ownership. For example, Sho-Me’s total investment in the cooperative system is \$368 million. This includes seven delivery points where the power is handed off to WRVEC totaling \$3.2 million, three transmission lines located within the WRVEC electric footprint that cost more than \$2 million and \$1.5 million of fiber-optic-related equipment located within the WRVEC footprint. KAMO’s investment is \$829 million, including \$18.1 million for 21 delivery points serving WRVEC, two transmission substations costing \$4.1 million and power lines costing \$14.8 million. Associated’s investment in a diverse generating portfolio and transmission to serve the G&Ts and all participating co-ops, including WRVEC, is \$2 billion. These costs are shared by all cooperative member systems to provide reliability for

the entire cooperative network. These are costs that would have otherwise been incurred by WRVEC if not in these contracts. In today’s dollars, the cost of duplicating the substations and transmission lines alone would be much greater. The terms of the contracts state that the financial interests of the cooperative and its members are also protected if one party exits prematurely. Considering all of these factors, the financial impact on WRVEC would be significant.

BOARD REVIEW OF THE  
WHOLESALE POWER CONTRACTS

The board’s recent review of the current WRVEC Wholesale Power Contracts finds significant benefits for members in these key areas:

ENERGY RELIABILITY

During the history of the contracts, investments by the G&Ts and Associated have resulted in a robust, diverse generating portfolio and a strong, secure transmission system. This benefits WRVEC’s members by ensuring that our community has the power it needs for businesses and homes all the time.

LOW-COST, DIVERSE  
GENERATING PORTFOLIO

Associated uses the lowest-cost generation resources first to serve member electric requirements. This generation portfolio includes hydropower, coal, wind and natural gas. They also look for market

opportunities to purchase power from other utilities in those instances when it is cheaper to buy the power than generate it. This diversity enables the wholesale supply to adjust as needed to make sure members are served with low-cost, reliable generation regardless of changing conditions. It also provides us with an increasingly clean energy supply. In 2018, 18 percent of our electricity came from hydro and wind energy.

RATE AFFORDABILITY & STABILITY

Experience has shown the contracts deliver power at prices competitive with other utilities. Currently, WRVEC’s wholesale electric rates are among the lowest in the nation. Economies of scale resulting from this large cooperative network help keep costs down and rates competitive. By paying lower rates for wholesale power, WRVEC is able to invest continually in its advanced infrastructure for the benefit of members.

FINANCIAL STRENGTH

Generating and transmitting electricity of this magnitude is a complicated and capital-intensive business that requires sizable, long-term loans to develop and operate facilities effectively. Our G & T’s secure these long-term loans but such loans require similarly long-term contracts to get the best interest rates. This combination helps deliver the lowest possible overall generation costs and

63%

COAL



19%

NATURAL GAS



12%

WIND ENERGY



6%

HYDROPOWER



Associated uses the lowest-cost generation resources first to serve member electric requirements. This generation portfolio includes hydropower, coal, wind and natural gas.

ensures a reliable network for years to come.

COOPERATIVE NETWORK VALUE

The Wholesale Power Contracts, while focused on generation and transmission, enable WRVEC to share knowledge and services as part of a large cooperative family. This increases our effectiveness and efficiencies as a distribution cooperative.

COMPLIANCE

Our wholesale supplier and G&Ts meet many of the complex environmental, safety, cybersecurity and other requirements of the highly regulated utility industry, contributing to WRVEC's significant compliance efforts.

As part of the Wholesale Power Contracts review, your board examined the potential impact to rates of these long-term agreements. We confidently say, based on our experience over many decades, that securing energy at an extremely low wholesale cost positions us favorably to provide competitive member rates for the future. In short, these contracts for wholesale power supply have delivered reliable,

affordable and responsibly generated energy to date and we expect that performance to continue.

NET METERING POLICIES

In response to members who are interested in owning wind or solar generation systems, your board has examined WRVEC's current net metering policies. These policies, governed by Missouri state law, enable tracking and billing adjustments for members who choose to generate their own



*Our duty and goal in setting all of our policies, including net metering, is to comply with the law and to balance the individual interests of all our members.*


power with home or business-based alternatives like solar panels. Our duty and goal in setting all of our policies, including net metering, is to comply with the law and to balance the individual interests of all our members. The board can say with certainty that our net metering policies meet and, in some areas, exceed state law requirements for providing this service. We are proud of our record supporting new methods of energy generation and efficiency. Your board will continue to examine ways to meet member's needs for private innovation going forward, while also ensuring fairness for all members in our community.

OUR COMMITMENT TO YOU

The heart of our cooperative is serving members. Your board and the staff of WRVEC value your input and we are committed to listening to your ideas and concerns. We will continue to evaluate our programs, policies, and contracts to provide the greatest value to you- our member.

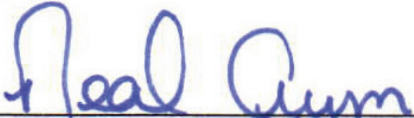
ADOPTED BY THE BOARD OF DIRECTORS OF WHITE RIVER VALLEY ELECTRIC COOPERATIVE ON JANUARY 30, 2019.

  
Pat Funk, President


  
Jeff Hyatt, Vice President

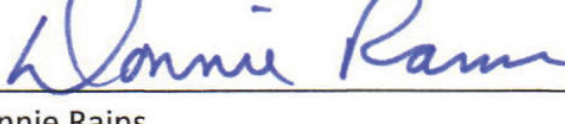
  
Jenny Whorton, Secretary/Treasurer

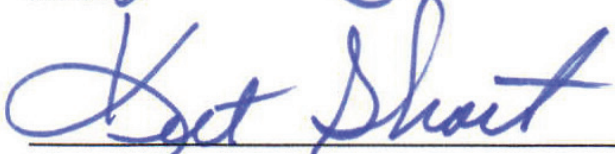
  
Bill Cook

  
Neal Crum

  
Russell Jackson

  
J.J. Leek

  
Donnie Rains

  
Keet Short