

The Twin Valley Electric Cooperative, Inc.

"Owned By Those We Serve"



September 2006

501 Huston St. ❖ P.O. Box 368 ❖ Altamont, Kansas 67330-0385

Phone: (866)-784-5500

Fax: (620) 784-2464

From the Manager: Energy Cost Adjustment

Twin Valley Electric Cooperative continues to see an extraordinary Energy Cost Adjustment (ECA) on our wholesale power bills.

The continued drought in the Southwestern Area Power Administration's hydro-electric facilities is one of the main causes for these extra energy costs as our power supplier replaces low cost hydro-generated power with higher cost gas-generated power.

These ECAs became an issue in 2005 when the drought resulted in no water being available to produce hydropower from the dams, and when the hurricanes

disrupted the production of natural gas. Our power supplier is required by the Kansas Corporation Commission (KCC) to pass on its energy costs on our wholesale power bill.

Most electric distribution utilities simply pass these costs on to the end user by adding their own retail ECA to their electric bills. Twin Valley Electric Cooperative has not been able to do this as we do not send bills to our members. Our members typically read their own meters. They then calculate the amount owed to the cooperative from a rate chart, and send the required payment to the of-

fice.

When Twin Valley Electric completed its last rate study, there was an estimated

amount included in the study to cover energy costs, but that amount is not sufficient to cover the adjustments the cooperative has incurred during the past year.

At the end of 2005, the cooperative had absorbed over \$300,000 in additional wholesale energy costs in excess of what was covered in the rate study. This year, the ECAs have continued to be extraordinarily high and we are projecting that those costs could again be more than \$300,000 greater than the amount covered in the rate schedule.

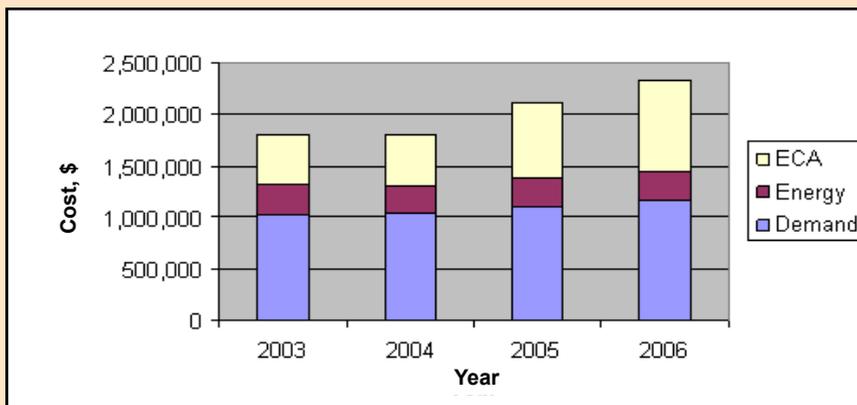
With the implementation of the TWACS metering system, we anticipate that we will send electric bills to all of our members by the end of this year and will have the ability to pass on these fuel-related energy costs as they are incurred.

The Twin Valley Electric Cooperative Board of Directors will discuss the implementation of an ECA at their September board meeting.



Ron Holsteen

Wholesale Power Costs



The graph shows a breakdown of Twin Valley Electric Cooperative's wholesale cost of power for the last three years. The wholesale power costs are made up of three primary components. The demand costs are to pay for the generation facilities used to produce the power required by our members. The demand costs are driven by the peak demand created by our members during the hot summer days. As our demand goes up each year, the demand component increases. The energy component of the power costs is the cost of operating and maintaining those power plants. Those costs remain relatively stable. The ECA represents the cost of the fuels needed to produce the electricity. Those costs had remained relatively stable until last year and are now continuing to become a larger share of the overall wholesale power costs.

MEETING NOTICE

The Twin Valley Board of Directors will hold a hearing at the beginning of their September board meeting to take input from the members on a proposal to implement an energy cost adjustment clause on all rate schedules.

The board meeting is scheduled for Monday, September 25, 2006, at 7 p.m. If you plan to attend the meeting, please let the office know so that we can arrange a properly sized meeting room.

Record Demand Set

Twin Valley Electric Cooperative members set a record demand for electricity on Wednesday, August 9, 2006. On that day, the cooperative reached a demand of 9,878 kW at 7 p.m.

Earlier in July, Twin Valley had peaked at over 9,000 kW each day that the temperature reached 100 degrees. The demand for electricity continued to grow every day that the temperatures reached triple-digits, peaking at 9,878 kW.

Last summer, Twin Valley peaked at 9,189 kW on July 22, 2005. That was the only day last year that the cooperative reached the 9,000 kW level. This summer Twin Valley's demand has

exceeded 9,000 kW each of the 16 days that the temperature reached at least 100 degrees.

These record demand levels resulted in some outages on the 9N section of the cooperative's lines. Twin Valley crews had installed electronic breakers and built two miles of new three phase line on the North Parsons metering point in anticipation of higher loads this summer. However, the consecutive days of extreme temperatures put more demand on those lines than anticipated. Several sectionalizing devices had to be upgraded to handle the record demand during the afternoon and evening hours.

Local Youth Attends "Government in Action" Youth Tour

WOW! My trip to Washington, D.C., was really amazing.

I owe so much to Twin Valley for sponsoring me on this once in a lifetime opportunity. I would never have been able to have experienced this adventure without the Board of Trustees sponsoring me.

I saw more in a week than a normal tourist on vacation could have seen in a month. I was able

to experience "Government in Action" first hand. It was so different to actually see and tour the White House and Capitol. To be there and listen to our leaders talk to us in person and ask questions to our Congressmen and Senators, was more than I had ever imagined by just studying in school about these things.

We did and saw so many interesting things on this trip, but I believe if I had to choose my favorite part, it would be seeing the beautiful memorials. From the World War II Memorial to the Vietnam Memorial, these had a powerful impact on me thinking about how they stood as a tribute and forever



The Kansas and Hawaii delegates pose on the steps of our nation's capitol.

remembrance to our past leaders and to all the soldiers who gave their lives for my freedom. This is one trip I will remember for the rest of my life.

Thank You,
April Wheeler



April Wheeler and the Kansas delegates attended a Kansas City Royals game and met Slugger before flying to Washington, D.C.