

Who Profits From Co-op Service? You Do!



MESSAGE FROM GENERAL MANAGER AND CEO JERRY D. WILLIAMS

A MEMBER RECENTLY ASKED a question that deserves a thoughtful answer: “If you’re a nonprofit, why don’t you charge just enough to pay your expenses?” The short answer is “We do.”

The fact is Lamar Electric Cooperative must charge enough to purchase power, provide service, pay the expenses and maintain a positive cash flow. But, there are two kinds of expenses. The expense most folks are familiar with is called Operating expenses, and the other is Capital expenses. The standard profit and loss statement deducts Operating expenses from Operating Revenue to arrive at a net profit or loss. As a non-profit utility, anything left over is called a Margin rather than profit. Unfortunately, we must pay for Capital expenses as well as Operating expenses.

Capital expenses include items like upgrading power lines and equipment. Many of the small wires installed over 50 years ago can no longer handle the load of modern homes that are connected. Increasing the wire size typically means the spans between poles must be shorter and the old poles must be replaced with poles that are correctly spaced. Often larger wire is not enough, and the voltage must be increased.

At Lamar Electric we use two standard primary voltages; 14,400 volts and 7,200 volts. A wire operated at 14,400 volts can carry twice the load of a wire the same size at 7,200 volts. Of course, larger insulators are needed for the higher voltage. Changing to a higher voltage also involves changing all transformers on the line to ones that are insulated for the higher voltage and produce the correct household voltage when operated at 14,400 volts.

Installing larger wire, new poles, new insulators and new transformers is often the only way to handle the increased load. These expenses are called Capital expenses because the expense involves items that will last for many years instead of just the current year. These Capital expenses require funds the same as monthly operating expenses. Depreciation is counted as an operating expense but with a lot of old facilities that are already depreciated; the amount of depreciation is not enough to provide all the Capital funds needed.

Capital funds can be borrowed from the bank but that increases interest expense and must be repaid. The result is Lamar Electric uses a combination of some borrowed funds and margins provided by the members. Actually our bank mortgage requires that we have a margin remaining when Operating expenses are subtracted from Revenue. This margin is actually used to fund a lot of our Capital projects, which is

the reason we refer to Margins as Capital Credits. We allocate all margins back to each member at the end of each year, based on your proportionate share of revenue. This allocation is the same as crediting the amount to your Equity in Lamar Electric. Capital Credits or is the same thing as your Equity or share of Margins.

One particular big expense (65 cents out of every dollar) changes with the weather. Lamar Electric doesn’t generate any power. All of our power is purchased wholesale. A set rate of eight cents per kWh sold is included in our base rate. When we are able to purchase power for more or less than this base amount, the difference is passed on to the members. That is the reason the Power Cost Recovery Factor (PCRF) has been a credit for the past few months. If we didn’t pass along that charge to you, we’d soon find ourselves in financial straits. All of the PCRF revenue or credit goes to the cost of purchased power and does not increase or decrease our bottom line one penny. Therefore, when generation and fuel costs rise, you can expect to see a bump in your electric bill. When they go down, you’ll notice a proportionate decrease in your bill.

In a nutshell, that’s part of how a nonprofit operates. All the money we collect pays for keeping your co-op whole. We’re not accountable to outside investors. We’re accountable only to you, our member-owners. We use our resources to make sound investments that benefit you.

As a distribution cooperative, we have to get the power to you reliably. That means training and compensating our employees, and purchasing high-quality poles, transformers, wires, bucket trucks and safety equipment. That also means getting your power back on as quickly as possible if severe weather damages the system. We do that by investing in technology that helps us work more accurately and quickly.

We also pay decent wages to the people who repair the lines, send out bills and answer your calls for help when you need it. Don’t forget, that’s money that goes right back into the community where your co-op employees live and work. You see, at Lamar Electric, there are no outside investors making money on stock dividends or profit sharing. That’s because you, the members, are the owners of the cooperative, and every dime the co-op brings in over expenses is invested back in this business—and eventually is returned to you in the form of capital credits.

Our mission is simple: Empower the communities we serve by providing a steady, reliable supply of electricity at the lowest cost possible.

The business structure of electric cooperatives can be traced to our roots decades ago. During that era, the big electric companies that served cities were not convinced that the expense of building lines to serve rural areas would pay off for their investors. So rural residents who wanted electricity banded together, borrowed money from the federal government and formed nonprofit electric companies.

As those rural areas have grown and changed, the cooperatives that powered their growth have also changed. Cooperatives are among the nation's leaders in innovative and efficient approaches to electricity delivery. There's one thing that hasn't changed: We exist to serve our local communities, not to turn a profit for distant investors.

Main Street, not Wall Street: That's the cooperative way.

Government-in-Action Youth Tour Winners Announced



CAMERON EDWARDS



COURTNEY "DANI" HUNTER



HEIDI KORNELSEN

LAMAR ELECTRIC COOPERATIVE ANNOUNCES the 2016 winners of the Government-in-Action Youth Tour essay contest. The winners are:

Cameron Edwards, the son of Donnie and Amanda Edwards of Paris, is a senior at North Lamar High School.

Courtney "Dani" Hunter, the daughter of Travis and Tonya Hunter of Pattonville, is a junior at Prairiland High School.

Heidi Kornelsen, the daughter of Allen and Nettie Kornelsen of Sumner, is a sophomore at Faith Christian School.

Contestants submitted an essay on the topic, "What would the world be like without electricity?"

In June, the three students will join about 120 other students from Texas. Before leaving for Washington, D.C., the students will tour the Texas Capitol and learn about state government in Austin. Then they will fly to Washington for a week of fun and educational events. While there, they will visit their congressional representatives, spend a day on Capitol Hill and tour the Smithsonian Institution and many other popular sites. Selected students from the group will also participate in a wreath-laying ceremony at the Tomb of the Unknown Soldier at Arlington National Cemetery.



**NATIONAL LINEMAN
APPRECIATION DAY
IS APRIL 11.**

**THANK YOUR CO-OP'S
LINEMEN FOR BRINGING
POWER TO THE PEOPLE.**

NOTICE OF LAMAR COUNTY ELECTRIC COOPERATIVE MEETING OF MEMBERS

THE ANNUAL MEMBERSHIP MEETING OF LAMAR COUNTY ELECTRIC COOPERATIVE ASSOCIATION will be held at Love Civic Center, 2025 S. Collegiate Drive in Paris, Saturday, April 16, 2016.

Registration opens at 9 a.m. The business session will begin at 10 a.m. and includes any necessary reports of the officers, board members and committees, as well as the election of board members in Districts 2, 3 and 4, each for a three-year term.

A member who wishes to be elected to the cooperative's board of directors must appear in person at the main office of the cooperative and fill out a nomination form not less than 60 days and no more than 90 days before the date of the annual meeting of the members at which board members are to be elected.

The following members have placed their names in nomination at the cooperative headquarters:

DISTRICT 2 Jeremy Hamil, 211 CR 34520, Sumner, TX 75486

DISTRICT 3 Harry Moore, 910 FM 1159, Clarksville, TX 75426

DISTRICT 4 James Floyd, 5639 FM 44, Annona, TX 75550

You do not have to be present at the meeting to vote in the director election. Before the meeting, ballots will be mailed to members who reside in those districts. If you reside in one of the districts having an election, you may either vote by mail or in person at the meeting.

Each member in attendance at the meeting will receive a registration gift, and a drawing for other prizes will be held. You must be present at the time of the drawing to be eligible for other prizes.

Six \$1,000 scholarships also will be awarded at the meeting. Entries must be received at the cooperative office by 5 p.m. April 8.

To be eligible for a scholarship, a candidate:

- ▶ Must live full time in a residence served by Lamar Electric; and
- ▶ Be a graduating senior attending a high school or accredited Home Extended Studies program within the counties served by Lamar Electric.

We look forward to your attending. Enjoy your annual meeting.

MICHAEL R. WILLIAMS, Board Secretary

Dated: March 28, 2016

Lamar Electric 2016 Director Candidate Profiles



DISTRICT 2

Jeremy Hamil has been a member since 2002. He was appointed to Lamar Electric's board in September 2015 to serve the

unexpired term of Mark Jones who passed away. He attended Paris Junior College and Texas A&M-Commerce studying ag business. He has been a rancher for more than 20 years; bales hay, and has a custom pasture spraying business. He coaches his son's baseball team. He and his wife, Kim, live in Sumner. She is a kindergarten teacher at Chisum.



DISTRICT 3

Harry Moore has been a member since 1974. He was appointed to Lamar Electric's board in January 2015 to serve the

unexpired term of Billy Hines, who resigned due to poor health and later passed. He has an associate degree from PJC, has attended Texarkana College and East Texas State University. He and his son, Jeffery Moore, farm soy beans, wheat and milo. He likes to hunt and fish. He and his wife of 43 years, Linda, live north of Clarksville. She is a retired florist.



DISTRICT 4

James Floyd has been a member since 1971. He was appointed to Lamar Electric's board in May 2015 to serve the unex-

pired term of Charles Dooley, who passed away. He owns a dirt moving business, using dozers, tractors, etc. and has been in real estate for the last 25 years. He was a tractor mechanic for 20 years for Harvey Brothers in Clarksville. He and his wife, Sharon, live in Annona.



Scholarship Deadline April 8

THIS YEAR, LAMAR ELECTRIC COOPERATIVE will award six \$1,000 academic scholarships to students who plan to pursue an academic degree or certification from an accredited university, college, junior college, technical school or other postsecondary educational institution. Scholarship payment will be made directly to the college, university or school in one lump sum. Scholarships must be used within two years of the award date. Funds can be used for tuition, books, and room and board.

Eligibility Requirements

To be considered for a Lamar Electric scholarship, an applicant must:

- ▶ Live full time in a residence served by Lamar Electric Cooperative; and
- ▶ Be a graduating senior attending a high school or an accredited home extended studies program within the counties served by Lamar Electric.

Six scholarships will be given away at the Lamar Electric Cooperative Annual Meeting, April 16, in a random drawing of qualified students. The winners need not be present.

The entry deadline is April 8. The application can be found on the Lamar Electric website, lamarelectric.coop. Once the application is completed, it should be emailed to scholarship@lamarelectric.coop. Applicants may also fill out the application below and mail to: Lamar Electric Cooperative, Attn: Katie Morris, P.O. Box 580, Paris, TX 75461.

LAMAR ELECTRIC 2016 SCHOLARSHIP APPLICATION

Name _____

Address _____ City _____

Name of High School _____

Parent/Guardian Name _____

Lamar Electric Cooperative Account No. _____

Phone No. _____

APPLICATION DEADLINE IS APRIL 8.

Please send completed application to: Lamar Electric Cooperative, Attn: Katie Morris, P.O. Box 580, Paris, TX 75461.

Your Home's Energy Hog

Standby power: The silent thief

STANDBY POWER IS ELECTRICITY used by appliances and equipment while they are switched off or not performing their primary function. That power is consumed by power supplies (the black cubes—sometimes called “vampires”—converting AC into DC), the circuits and sensors needed to receive a remote signal, or soft keypads and displays including miscellaneous LED status lights. Standby power use is also caused by circuits that continue to be energized even when the device is off. Although a single device consumes very little in annual electricity use, when multiplied by several dozen products, you're no longer talking about chump change. What can you do? It is not easy to reduce the amount of standby power many devices use, but it is possible: Unplug infrequently used devices. Guest rooms and other rooms that are only occasionally occupied can be your starting point. If you have many devices that use standby power (ex: TV, DVD player, VCR, etc.), consider using a power strip. A power strip will give you the ability to turn off multiple devices at once. Plug in these products only when needed.

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