

Cooperative Connections



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Controlling
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Monthly fixed charges to increase on bills for 2019

Understanding the Facility Charge



Ken Schlimgen

General Manager

Undoubtedly, the most unappreciated and misunderstood part of anyone's electric bill is the facility charge: the monthly fee incurred no matter how much electricity is used.

The month of January is traditionally when your cooperative hosts our area District Meetings. These member meetings allow for our members to ask questions and receive information about their cooperative. As I write this column, we are preparing for our first meeting to be held in Wessington Springs on January 3rd. I would like to extend my personal "Thank You" to all the members who will attend this year's meetings. Central Electric is your electric cooperative, and as a member, you have a responsibility to be aware of the issues and opportunities that your cooperative faces.

In last month's newsletter, I announced that Central Electric is increasing the monthly facility charge beginning this month. The change is necessary due to the increasing expenses your cooperative will face in 2019, including taking additional steps in replacing our aging distribution system.

Undoubtedly, the most unappreciated and misunderstood part of anyone's electric bill is the facility charge: the monthly fee incurred no matter how much electricity is used. From a rate perspective, it's one of the most frequent things we get questioned about, so I thought I would use my space here to shed some light on this part of your monthly bill.

There are two basic components to most power bills – 1) the fixed monthly charges, or the facility charge, and 2) the charges that vary with how much electricity one uses, or the charge per KWh. If you think about your own property – whether it is a house, farm or business – you will realize that for each of them, your cooperative has made a significant investment to bring power to that location. The facility charge is reflective of the investment in poles, wires, transformers and equipment necessary to provide a member with electric service. It also supports fleet, facility and customer service functions, such as line maintenance, right-of-way clearing and general administrative responsibilities. Regardless of how often you flip on the light switch or the TV, these costs are incurred by the cooperative so that electricity is available whenever you want it.

Facility charges also help ensure equity among ratepayers. If we didn't recover these costs in the facility charge, they would have to be recovered in the cost per KWh of electricity. For the cooperative, those who use very little electricity would pay significantly less than their share of the fixed costs of operating the cooperative, and large users would end up paying many, many times more than their fair share of those costs.

I like to think of it in terms of billing you for what it costs to deliver the electric energy in one part of the electric bill and the cost of the electric energy in another area. The facility charge is meant to recover the investment made to deliver the electric energy to you, and the rest of the charges are meant to recover the cost of the electric energy you use.

Obviously, the investment to deliver power to members can vary. In high-density areas, we typically have multiple accounts fed off the same transformer, and we have less investment per meter than we have for a rural account that has its own transformer, a couple miles of line, and significantly more dedicated distribution facilities. Conversely, some of our largest accounts have an entire substation dedicated to a single account because they have such large power requirements. For these reasons, we have different monthly facility charges based on the investment made to deliver power to members of different rate classes, independent of how much power is consumed.

Hopefully, you can see that a lot goes into designing rates that are both fair and equitable among our members and between different rate classes. Nobody really likes the facility charge, but it is necessary to ensure we have rate equity.

Until Next Month – Be Safe



A Touchstone Energy® Cooperative 

(USPS 018-963)

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RECIPES NEEDED FOR THE **COUNTRY COOKIN'** *cookbook*

Your recipe could be featured in the 35th volume of East River Electric's Country Cookin' cookbook! Help us create another great cookbook by submitting your favorite recipes.

Submit recipes via email to kstone@eastriver.coop, fax to 605-256-8057, or contact your local cooperative for more information. Submission deadline is Monday, January 28, 2019.

Employee Years of Service

Bruce Sparks

February 1 - 18 years

Cody Riggs

February 9 - 4 years

Thank you for your service to the cooperative!

Downed and Dangerous

Downed power lines can be deadly. ALWAYS assume a downed power line is live and avoid going near it or anything in contact with it.

Use Precaution

- Downed power lines can energize the ground up to 35 feet away.
- If you see a downed power line, immediately notify local authorities.
- Never drive over downed power lines or through water that is in contact with them.
- Never try to move a downed power line. Even using items that typically are not conductive will not prevent injury or death.

Know What to Do

- The safe way to move away from a downed power line is to shuffle away with small steps, keeping your feet together and on the ground at all times.
- If your car comes in contact with a downed power line while you are inside, stay in the car. Do not touch any part of the car's frame or any other metal. Use a cell phone or honk your horn to summon help. Allow only rescue personnel to approach the car.
- If your car is in contact with a downed power line and you must exit due to fire or another imminent threat:
 - Do not touch your vehicle and the ground at the same time with any part of your body or clothing.
 - Open the door to your vehicle without touching the metal door frame.
 - Jump out of the vehicle with both feet together and so both feet land at the same time.
 - Shuffle away so that the toe of one foot shuffles forward along the length of the other foot, ensuring that both feet are in constant contact and always touching the ground.
- If someone comes in contact with a downed power line or something else that has become electrified, call 911 immediately.
- Never touch someone who has come in contact with a power line. They are energized and pose a danger to anyone who comes in contact with them.
- Remember power lines don't have to fall in order to be dangerous. Always call 811 before you dig and keep yourself and your equipment at least 10 feet from overhead power lines.

Source: esfi.org

Getting Involved

The state legislatures of both Minnesota and South Dakota convened in early January. Need to contact your legislator while in Pierre or Saint Paul? Here's how:

Contacting Members of South Dakota's Legislature:

Go to <http://sdlegislature.gov/>. From there, you can search your senator or representatives, see the committees which they are assigned and send them an email. Need to reach them by phone? You can call and leave a message with the Senate at 605-773-3821 or with the House of Representatives at 605-773-3851. You can also send a fax to 605-773-6806.

Contacting Minnesota Legislators:

For contact information on Minnesota house members, visit:

<https://www.house.leg.state.mn.us/members/hmem.asp>

For contact information on Minnesota senators, visit:

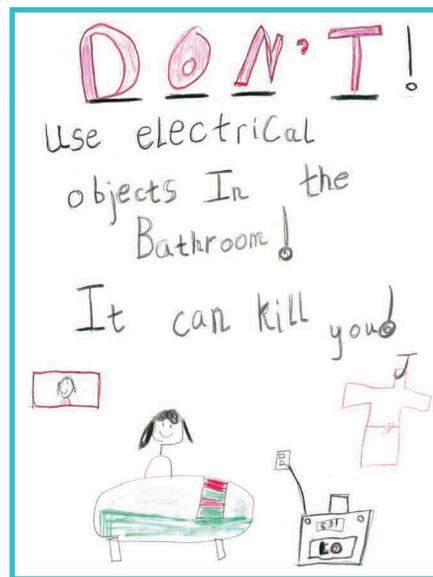
<http://www.senate.leg.state.mn.us/members/index.php?ls=%20-%20header>



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WWW.VOTE.COOP

KIDS CORNER SAFETY POSTER



"Don't use electrical objects in the bathroom. It can kill you!"

Gracie Biggins,
7 years old

Gracie is the daughter of Jessy and Katie Biggins, Gregory, S.D. They are members of Rosebud Electric Cooperative, Gregory.

Kids, send your drawing with an electrical safety tip to your local electric cooperative (address found on Page 3). If your poster is published, you'll receive a prize. All entries must include your name, age, mailing address and the names of your parents. Colored drawings are encouraged.



Bountiful Brunch

Slow Cooker Monkey Bread

- 1 cup (2 sticks) butter
- 1/2 cup granulated sugar
- 1 cup firmly packed light brown sugar
- 2 (16.3 oz. each) cans flaky layers refrigerated biscuits, each biscuit cut into 6 pieces
- 1 T. ground cinnamon

Spray 6-quart slow cooker and outside of wide mouth glass jar with no stick cooking spray. Place glass jar in middle of slow cooker. Melt butter in small saucepan on medium heat. Add brown sugar and stir to combine; set aside. Place cinnamon and granulated sugar in large resealable plastic bag. Add biscuit pieces in batches and shake to coat. Place 1/2 of the biscuit pieces in slow cooker around glass jar. Pour 1/2 of the butter mixture over biscuit pieces. Place remaining coated biscuit pieces in slow cooker. Sprinkle with any remaining cinnamon-sugar mixture in bag. Pour remaining butter mixture evenly over top. Cover slow cooker with clean kitchen towel then with slow cooker lid to secure towel. Cook 1 hour on HIGH. Carefully remove slow cooker insert and rotate. (This allows monkey bread to cook evenly.) Cook 1 hour longer or until toothpick inserted in center comes out clean. With towel and lid still secure, remove slow cooker insert from heat. Let stand 10 minutes. Carefully remove glass jar. Invert monkey bread onto serving platter. Makes 18 servings.

Nutritional Information Per Serving: Calories 302, Total Fat 14g, Saturated Fat 8g, Protein 3g, Cholesterol 27mg, Sodium 491mg, Carbohydrates 41g, Fiber 1g

Pictured, Cooperative Connections

Oatmeal Pancakes

- 2 eggs, separated
- 1/3 cup flour
- 2 cups warm milk
- 2-1/2 tsp. baking powder
- 2 cups quick cooking oats
- 1 tsp. salt
- 1/3 cup oil or shortening

Beat egg whites until stiff. In separate bowl, add warm milk to oatmeal; let set a few minutes. Add egg yolks. Mix in oil, flour sifted with baking powder and salt; mix well. Fold in whipped egg whites. Heat a nonstick griddle over medium heat. Coat pan with cooking spray. Spoon about 2-1/2 T. batter per pancake onto griddle. Turn pancakes over when tops are covered with bubbles; cook until bottoms are lightly browned.

Elfrieda Postma, Sioux Falls, SD

Wake-up Casserole

- 8 frozen hash brown patties
- 7 eggs
- 4 cups shredded Cheddar cheese
- 1 cup milk
- 2 cups cubed ham
- 1/2 tsp. salt
- 1/2 tsp. dry mustard powder

Place hash brown patties in a single layer in a greased 9x9-inch glass dish. Sprinkle with cheese and ham. In bowl, beat eggs, milk, salt and mustard together. Pour over ham and cheese. Cover and bake at 350°F. for 1 hour. Uncover and bake an additional 15 minutes until edges are golden brown and knife inserted in center comes out clean. Makes 8 servings.

Mary Jessen, Holabird, SD

Eggs Benedict Casserole

- 8 large eggs
- into 1/2-inch pieces
- 3 cups milk, divided
- 6 English muffins, cut into 1/2-inch pieces
- 3 green onions, chopped
- 1/2 tsp. paprika
- 1 tsp. onion powder
- 1 (.9 ounce) pkg. hollandaise sauce mix
- 1 tsp. salt
- 3/4 lb. Canadian bacon, cut
- 1/4 cup butter

Spray 9x13-inch baking dish with cooking spray. Whisk eggs, 2 cups milk, green onions, onion powder and salt together in a large bowl until well mixed. Layer half the Canadian bacon in prepared baking dish. Spread English muffins over meat and top with remaining Canadian bacon. Pour egg mixture over casserole. Cover baking dish with plastic wrap and refrigerate overnight. Sprinkle casserole with paprika; cover with aluminum foil. Bake at 375°F. until eggs are nearly set, about 30 minutes; remove foil. Continue baking until eggs are completely set, about 15 more minutes. Whisk hollandaise sauce mix with 1 cup milk in a saucepan. Add butter and bring to a boil, stirring frequently. Reduce heat to medium-low, simmer and stir until thickened, about 1 minute. Drizzle sauce over casserole.

Cortney Reedy, Tea, SD

Please send your favorite seafood, appetizer, beverage or casserole recipes to your local electric cooperative (address found on Page 3). Each recipe printed will be entered into a drawing for a prize in June 2019. All entries must include your name, mailing address, phone number and co-op name.

Facility Charge Increase for 2019

Central Electric Cooperative is increasing the facility charge for 2019. This is due to increased operating and maintenance costs which are necessary in order to continue providing safe and reliable energy.

Electric rates are designed to cover the expenses associated with delivering reliable electric energy. Rates are adjusted only when absolutely necessary.

How will this rate change affect my bill?

The increase will be applied to a member's facility charge. The energy charges per kWh and the submeter rate are not changing.

Residential, single-phase accounts will increase by \$6.25 for a monthly facility charge of \$59.45. Three-phase accounts will increase by \$11.00 for a facility charge of \$104.10.*

When will this change go into effect?

The increase rate will take effect January 1, 2019 and will reflect on the January bills mailed in early February 2019.

What is the facility charge?

The facility charge is the monthly minimum needed to cover the costs of providing access to electricity, before any energy is used.

The cooperative incurs expenses such as poles, wires, fleet, labor, and interest in order to build and maintain our electric system and provide general customer service. Central Electric serves approximately 1.6 meters per mile of line, which means there is a large amount of infrastructure required to bring power to each member. The facility charge helps cover these expenses and ensures that members have access to electricity when they need it.

General Service - Single Phase*		
	2018	2019
Facility Charge	\$ 53.20	\$ 59.45
First 600 kWh	\$ 0.114	\$ 0.114
Next 600 kWh	\$ 0.096	\$ 0.096
Over 1200 kWh	\$ 0.079	\$ 0.079
Submeter kWh	\$ 0.056	\$ 0.056

I only use my service a few times out of the year. Do I still need to pay the facility charge?

The facility charge is required for all services, regardless of energy use. The fixed costs covered by the facility charge are incurred by the cooperative whether the service uses electricity or not.

In order to avoid a facility charge on an unused service, a member can choose to retire the service. The cooperative will remove all equipment at and leading up to that service, and electricity will no longer be available there. If a member chooses to replace the electrical service, he/she will be responsible for the cost to initially remove and rebuild the service.

Why is the rate increase necessary?

Central Electric's work plan for 2019 involves several large projects needed to maintain the reliability of our electric system.

In 2019, your cooperative will 1) double the amount of line we typically replace in order to update our aging power lines, 2) begin a meter replacement pilot project for future cost-savings and reliability, and 3) add an additional employee to assist with the work load.

As a not-for-profit cooperative, electric rates are designed to cover the expenses associated with delivering reliable electric energy. Rates are adjusted only when absolutely necessary.

Is the cooperative managing expenses?

Your cooperative is always looking for ways to manage costs while keeping service reliable. Some examples include 1) refinancing loans to lower interest rates, 2) utilizing a load management program to save on demand charges (each water heater on load management saves approximately \$10/month), 3) joining alliances with material suppliers to increase purchasing power and lower costs, and 4) using federally funded mitigation projects to make improvements on our system.

General Service - Three Phase*		
	2018	2019
Facility Charge	\$ 93.10	\$ 104.10
First 600 kWh	\$ 0.142	\$ 0.142
Next 600 kWh	\$ 0.123	\$ 0.123
Over 1200 kWh	\$ 0.079	\$ 0.079
Submeter kWh	\$ 0.056	\$ 0.056

The increase will apply to the facility charge only. The energy kWh charges and submeter rate will not change.

*These are the two most common rate structures. Other rates exist for irrigation, congested areas, demand charges or other factors. For more information about your individual rate, contact our office at 800-477-2892 or 605-996-7516.

Our employees also use careful planning to operate as efficiently as possible. For example, Central Electric employs one line personnel for every 234 miles of power lines that we maintain. This ranks 5th out of all the cooperatives in the state for the most miles of line per line personnel.

Central Electric employs one line personnel for every 234 miles of power lines. This ranks 5th highest out of all co-ops in SD for the most miles of line per line personnel.

What does the future of electric rates look like?

As we continue to upgrade our aging power line system, we anticipate that operating costs will also continue to increase, and with it, electric rates. Many cooperatives across the region are facing the same challenge.

When we think about how often we use electricity, the 24/7 availability, and all the people and equipment needed to deliver it, electricity still remains a good value.

How does Central Electric compare with other utilities?

Through 2018, the national average per residential kWh was 13.1 cents, and the South Dakota average was 12.83 cents¹. Central Electric's average residential kWh is estimated at 12.5 cents for 2019.

Why has my bill been so high?

Hidden culprits to high bills are space heaters, water tank heaters, plugged-in tractors or vehicles, heat tape, in-floor heat, more lighting due to less daylight, humidifier/dehumidifier, or additional company or people in the home.

If you have additional concerns, contact our office, and we can further discuss the usage.

Can I monitor my usage?

Yes! All Central Electric members can view their account information, usage, bill history, schedule payments and more by logging into SmartHub. Sign up or log in at www.centralelec.coop.

How can I save money on my electric bill?

Central Electric offers several options to help you save money, including energy efficiency rebates, in-home energy audits, load management, and the "Co-op Connections Discount Card."

To explore ways on making your home more energy efficient, visit www.centralelec.coop or touchstoneenergy.com.

¹U.S. Energy Information Administration. 2018. www.eia.gov

Local Discounts with your Co-op Connections® Card



Your cooperative membership earns you discounts at local participating businesses.

Simply show your Co-op Connections Discount Card and save.

- 1) **Two Dreams Boutique, Mitchell, SD;**
10% off in store order.
- 2) **Buckshots, Letcher, SD;**
\$1 off all Buckshot Burgers.
- 3) **Casey's General Store, 701 N Main, Mitchell, SD;**
Free 12 oz or 32 oz fountain pop with 8 gallon fuel purchase.
- 4) **County Fair Food & Fuel, Mitchell, SD;**
\$.05 discount/gallon of fuel.
- 5) **Dakota Sunset, Mitchell, SD;**
7 cents off gallon gas/fuel.
- 6) **Daylight Donuts & Bake Shoppe, Mitchell, SD;**
Donut and regular coffee for \$1.00.
- 7) **Der Platz - Bill & Ila's Bed & Breakfast, Mitchell, SD;**
\$10 off stay.
- 8) **Double D Body Shop, Woonsocket, SD;**
\$5 off windshield chip repair.

For a full list of ways to save, visit www.connections.coop.

To request a card or become a participating business, visit www.centralelec.coop or call 800-477-2892 or 605-996-7516.





Your HVAC system could learn your schedule and regulate heating and cooling for your comfort based upon when you are home.

COMMAND, CONTROL AND ENERGY SAVINGS

Co-op Members Can Benefit from Technology

Derrill Holly

NRECA

Artificial intelligence is changing the way we live and that has the potential to bring major changes to the way we use energy.

Smart home automation, with a utility connection, allows folks from all income levels to become more energy efficient to varying degrees. Using a platform to further tie together appliances and loads, consumers can pick and choose their preferred efficiency routes depending on their lifestyle and budgets.

Turning Words to Actions

According to the Consumer Technology Association, about 5.5 million Wi-Fi-enabled devices are added to the internet each year and by 2020, the total is expected to surpass 21 billion. That has designers and manufacturers of consumer products looking for new ways to add value to their products with Wi-Fi enabled features.



As artificial intelligence devices create opportunities for home automation, consumers will play larger roles in deciding how and when systems in their home are controlled.

Smart thermostats have been around for a while and models that interconnect with home automation systems, like Amazon's Echo, the Wyse Hub and Google Home, get a lot of attention. Apps developed for those products are also available for both Android and iPhone. Many electric cooperatives are offering discounted smart thermostats to not only encourage member savings, but also help manage peak energy demand.

Changing Sources, Changing Needs

As the energy sources we use to generate power evolve and management of the electric grid becomes more agile and sophisticated, the true potential of energy load control provides opportunities for more savings through wholesale power supply. That's challenging electric co-ops to find additional ways to strengthen partnerships with consumer-members who are more interested than ever in actively managing their energy use. Two-way, real-time communications and artificial intelligence offer opportunities to learn consumer preferences and how best to reduce energy during peak demand periods.

New All-Electric Homes

Home automation controllers and smart phone apps are producing an endless string of new commands daily and while

many may not work seamlessly, they are likely to continue to improve.

"We could soon see serial commands allowing your appliances to interact with other devices," said Keith Dennis, senior director of strategic initiatives for the

An all-electric home with energy efficient products and automation features could enhance a consumers' experience.

National Rural Electric Cooperative Association (NRECA), who cited household systems including heat pumps and heat pump water heaters as examples.

"Your HVAC system could learn your schedule and regulate heating and cooling for your comfort based upon when you are home," said Dennis. "Instead of maintaining a steady supply of hot water when no one is home to use it, water could be heated during periods when demand is lowest and electricity costs less and then boosted to ideal temperatures to meet specific needs like bathing, laundry or washing dishes."

Many electric co-ops have supported water heater load control programs for decades. Consumers are not overly concerned

about when their water is heated as long as it is available on demand.

"Manufacturers and vendors are actually building shared access and control into these systems with utilities," said Dennis. "The most successful models in the end will work seamlessly with the co-op to provide value to the member and not necessarily something that is directly managed by the member."

According to Dennis, new induction stovetops, energy efficient convection ovens and some countertop appliances offer more opportunities for efficiency in the kitchen – and the common trait of these efficient products is that they are all electric. An all-electric home with energy efficient products and automation features could enhance a consumers' experience.

While consumers are not expected to quickly embrace many of these new options until they reach the "plug-and-play" level of convenience, smart appliances and home automation systems could within a few years lead to rebates and other incentives designed to encourage electric co-op members to retire older appliances to enhance their home's energy efficiency.

Derrill Holly writes on consumer and cooperative affairs for the National Rural Electric Cooperative Association, the national trade association representing more than 900 local electric cooperatives. From growing suburbs to remote farming communities, electric co-ops serve as engines of economic development for 42 million Americans across 56 percent of the nation's landscape.



WiFi-enabled kitchen countertop appliances are already available and manufacturers are introducing refrigerators and stoves to the marketplace in 2019.

THE TOUCHSTONE ENERGY SCHOLAR OF THE WEEK

Local Students named Scholar of the Week

Congratulations to the following local students who have been selected among their peers across the region for the Touchstone Energy Scholar of the Week program. Each student will receive a \$100 scholarship from Central Electric Cooperative and featured in an interview on KSFY news. Interviews can be viewed at KSFY.com. View next month's issue for more information on each scholar.



Sydney Tlam - Scholar of the Week for January 6-12, 2019

Sydney is the daughter of Dale & Amy Tlam and attends Mount Vernon High School.



Kassidy Clark - Scholar of the Week for January 13-19, 2019

Kassidy is the daughter of Travis and Kristie Clark and attends Corscia-Stickney High School.

TRAVEL WITH **40+** S.D. TEENS LIKE YOU!

Join Us

Rural Electric YOUTH TOUR

June 13-20 2019

VISIT **14** OF THE TOP 15 MUST-SEE SITES IN WASHINGTON, D.C.

MEET **1,800** STUDENTS FROM CO-OPS ALL ACROSS THE U.S.

MEET WITH OUR **3** LEGISLATORS WHO REPRESENT YOU IN D.C.

ONE WEEK YOU'LL NEVER FORGET! JUNE 13-20, 2019

Attention high school juniors! You have a chance to take a trip-of-a-lifetime to Washington, D.C. The chosen representatives will travel to Washington, D.C., along with 1,800 other students from Touchstone Energy® Cooperatives throughout the U.S. and take part in the Rural Electric Youth Tour. To apply, contact us or visit www.centralec.coop.

#YTDCSD19

www.centralec.coop | Central Electric Cooperative | 605-996-7516

@SDRuralElectricYouthTour



Students will participate in a three-day excursion to Bismarck, N.D.

EMPOWER YOUTH

GROWING COOPERATIVE LEADERS

Leadership Program for High School Freshmen & Sophomores

Central Electric Cooperative is sponsoring the Empower Youth leadership program to help high school students enhance their self-belief by encouraging them to build on their strengths and recognize their own leadership potential. The Empower Youth program embodies several cooperative principles – education, training, and information; cooperation among cooperatives; and concern for community.

When are the sessions?

Two (2) one-day leadership sessions will be held locally in the spring and fall of 2019, including team-building activities, guest speakers, and more.

Students will also participate in the SDREA Youth Excursion held July 22-25, 2019 in Bismarck, N.D. During Youth Excursion, students will travel to North Dakota and tour the Great Plains Synfuels Plant, the Freedom Coal Mine and Antelope Valley Station electric power plant. Evenings will be spent swimming, dancing and shopping with new friends from other rural electric cooperatives across the state.

Who is eligible?

To be eligible, a student must be a high school freshman or sophomore who permanently resides within Aurora, Brule, Buffalo, Jerauld, Sanborn, Miner, Davison, or Hanson counties of South Dakota or be the dependent of a Central Electric member.

One student from each county or director district may be selected.

What is the cost?

There is no cost to the student to participate other than transportation to the local sessions (transportation to Youth Excursion is provided).

How do I apply?

To apply, visit www.centralec.coop. Students will be required to fill out an application. For more information on the program, contact Courtney Deinert at 605-996-7516 or courtneyd@centralec.coop. Applications are due by March 1, 2019.

Scholarship Deadline Approaching

FEBRUARY 1, 2019

- **\$1,000 Basin Electric Power Co-op Scholarship Eligibility**
 Dependent children of members whose primary residence receives electric service from Central Electric Cooperative are eligible. The applicant must be a student enrolled or planning to enroll in a full time undergraduate course of study at an accredited university.
- **\$1,000 Jay Headley Memorial Scholarship Eligibility**
 Dependent children of members whose primary residence receives electric service from Central Electric Cooperative and who are pursuing a bachelor's of science degree in an agricultural related field are eligible.
- **Application & Guidelines**
 Full applications and guidelines are available from high school guidance counselors, on Central Electric's website at www.centralec.coop, or directly from the Central Electric office.

Completed applications must be returned by FEBRUARY 1, 2019 to:

Central Electric Cooperative
 25487 403rd Avenue
 PO Box 850
 Mitchell, SD 57301
cec@centralec.coop
 F: 605-996-0869

For more information, contact Courtney Deinert at **605-996-7516**.

During the 2019 South Dakota legislative session, electric cooperatives are seeking fairness in territory integrity.

CO-OPS SEEK TERRITORIAL INTEGRITY

Fairness Sought When Government Takes Over

Brenda Kleinjan and Jocelyn Romey

editor@sdrea.coop

As the 2019 South Dakota legislative session hits full stride this month, South Dakota electric cooperatives are seeking a fix to a decades-old issue: territory integrity.

The issue has been an ongoing one. It comes to a head periodically when municipal governments take over the territories of cooperatives or investor-owned utilities. For cooperatives, these are areas where the co-ops have served for decades and have incorporated into long-range planning.

What are the issues?

There are two sets of rules that govern changes in South Dakota electric service territory. By law, electric cooperatives and investor-owned utilities (IOU) must collaborate and agree upon changes in service territory between the two. Municipal governments, on the other hand, have the authority to expand their electric service boundaries and take territory from incumbent electric providers. These

differences in the rules favor government-taking of private enterprise.

Electric cooperatives have built the infrastructure needed to serve all areas of their territories. When municipal utilities take away the electric service areas of those co-ops, the infrastructure, including generation, transmission, substations and distribution assets, that has been put into place to serve the load becomes useless. The municipal-taking of incumbent utility territory also greatly limits the incumbent's ability to plan for the future in areas neighboring a municipal utility because the territory is so easily seized by the local government.

Ultimately, South Dakota's consumers are the ones being hurt when the service areas of electric cooperatives are reduced. The left-behind cooperative members bear a greater share of the fixed operating costs, increasing their electric bill. There are fewer members to cover infrastructure and generation costs when a territory is reduced in size. This is especially detrimental to affordability for the members of not-for-profit electric cooperatives.

Why now?

This is an ongoing issue that has never been resolved. Yes, there have been a few amendments made to the law over the years. These amendments have attempted to provide compensation for seized electric service territory. However, the compensation formula doesn't work. Additionally, the efforts of electric cooperatives to work collaboratively with municipals in resolving this issue have been consistently rebuffed, co-op leaders say.

“Applying the same rules to all electric utilities operating in the state will NOT impede municipal annexations. It will force municipal governments to engage in the same conversations about fairness and equity that an investor-owned utility and a cooperative must consider when making individual customer exchanges or making permanent changes to the boundaries,” said Ed Anderson, general manager of the South Dakota Rural Electric Association.

Territorial Integrity is Essential

Current System is Flawed:

Munis can. We can't.

- Municipal utilities can take utility service territory.
- Rural electrics and IOUs can't.

Government Takeover of Private Property.

- Munis can annex and extend service with no negotiations or PUC oversight.
- Selective “taking” of prime territory.
- Cooperatives are ready to serve and can offer highly competitive rates.

Negative Impacts on Utilities, Consumers and Economic Development.

- Upsets long-term planning and duplicates services.
- Reduces growth opportunities and ability to spread costs to a greater number of consumers – it impacts the entire membership.
- Hinders economic development.

Solution:

PROTECT assigned service territories

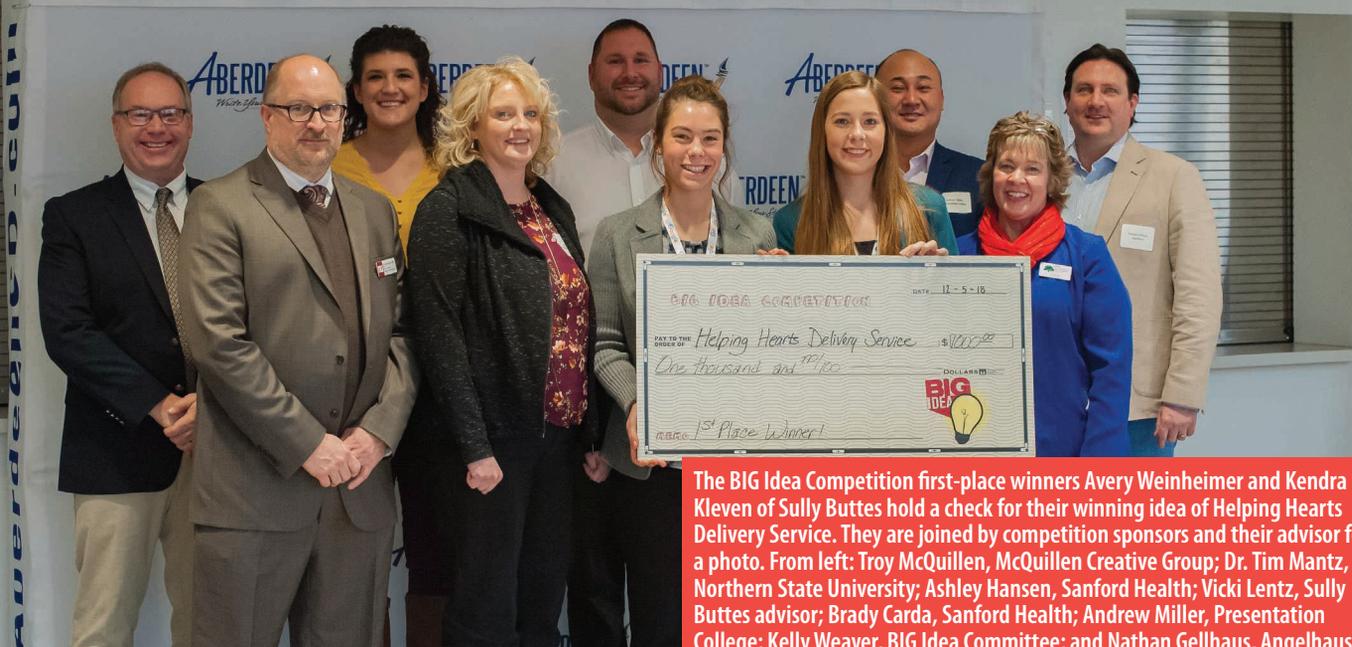
RETAIN privately negotiated agreements with Public Utilities Commission approval

NO RESTRICTIONS on annexation

South Dakota Laws on Electric Service Territory Boundaries

The original law passed in 1975 established the purchase price for electric facilities in areas annexed by municipalities. The law gave the city 90 days following annexation to offer to purchase the facilities and services rights. The portion of the formula that covers the purchase of wires and poles has not changed over the years. What has changed is the compensation for service rights portion of the formula. As initially placed in statute, the purchasing municipal electric system had to pay 25 percent of gross receipts from power sales to consumers within the annexed area for a period of five years at the municipal utility rate.

- The 1975 law, which was very similar to laws passed in many states at roughly the same time, was designed to protect consumers from the costs and confusion associated with rapid growth and duplication of services associated with that growth. Since then, few states have opened this essential service to full competition and industrial customers, not the average residential or small business customer, have benefited from those changes. South Dakota chose to address the specific needs of large industrial customers by making those loads competitive.
- The 1992 amendment changed that part of the formula to: 25 percent of gross receipts from power sales to consumers within the annexed area for a period of seven years at the incumbent utility rate and extended the time given to the municipality to decide whether they want to purchase from 90 days to one year.
- The 2009 amendment changed that part of the formula to: as compensation for service rights, an annual amount equal to the sum of 25 percent of the gross revenues received from power sales to consumers of electric power within the annexed area. The obligation of the annexing municipality to compensate the utility for service rights shall continue for 11 years from the date of the offer to purchase by the annexing municipality. During the 11-year period, compensation for service rights to any one customer location within the annexed area shall be paid by the annexing municipality for a period of seven years or until the expiration of the 11-year period, whichever is less. Gross revenues received shall be determined by applying the rate in effect by the municipality at the time of purchase. So, the latest amendment extended the overall window from seven to 11 but retained the seven-year cap per customer and went back to the muni rate at the time of purchase.



The BIG Idea Competition first-place winners Avery Weinheimer and Kendra Kleven of Sully Buttes hold a check for their winning idea of Helping Hearts Delivery Service. They are joined by competition sponsors and their advisors for a photo. From left: Troy McQuillen, McQuillen Creative Group; Dr. Tim Mantz, Northern State University; Ashley Hansen, Sanford Health; Vicki Lentz, Sully Buttes advisor; Brady Carda, Sanford Health; Andrew Miller, Presentation College; Kelly Weaver, BIG Idea Committee; and Nathan Gellhaus, Angelhaus.

BIG IDEAS COMPETE

35 Schools Showcase Entrepreneurial Spirit

Kelly Weaver

kelly@growsd.org

An idea for a grocery delivery service for the elderly was the winning idea among 244 entries in the 2018 BIG Idea Competition.

Sully Buttes High School students Kendra Kleven and Avery Weinheimer took first-place in the competition with their Helping Hearts Delivery Service, which aims to deliver groceries weekly and bring hot meals five-days-a-week to the elderly of Onida, S.D. Their prizes included a \$1,000 cash prize, a \$1,000 scholarship to Northern State University, a \$1,000 scholarship to Presentation College and a \$1,000 scholarship to the South Dakota School of Mines & Technology. Their idea also took the top place in the Wellness Category sponsored by Sanford Health, garnering the team an additional \$500 in prize money. Forty-three teams competed in the Wellness Category.

The BIG Idea Competition aims to promote entrepreneurship, spur creative thinking and encourage students to start a business. The competition is coordinated by the Small Business Development Center in Aberdeen, S.D.

Second place went to Butterstick, by Jade Parkin of Rapid City Stevens High School, which is a product where butter will conveniently be stored and ready for use in all situations and for all ages. Second place prizes include \$500 cash, a \$500 Presentation College scholarship and a \$500 NSU scholarship. The \$250 third-place prize went to The 'Wich Doctor by Hattie Muellenbach of Milbank High School, which is a food truck specializing in gourmet sandwiches. The other finalists included Watertown Community Tutor Center by DeLaney Anderson of Henry High School; Stoltenberg Fencing by Christine Stoltenberg of Northwestern High School; Best-a-Essay by Aiden Boerger of Milbank High School; New Outlook by Brianna Jorgenson of Florence High School; and Maria's Boarding and Grooming by Maria Jenkins of Leola High School.

The 2018 BIG Idea winning idea involved a grocery and meal delivery program.



The Marketing Design competition is an option for students to create an ad for their business idea. The \$500 cash award was sponsored by McQuillen Creative Group and 52 entries were judged in this category. The winner was Houghtaling Ultrasound by Danielle Houghtaling of Doland High School, which addresses the need for ultrasound services in the state of South Dakota for the sheep and goat industries. Houghtaling Ultrasound was also the winner of the newly sponsored \$500 cash prize of the Food Animal Agriculture award. The category prize is sponsored by Midwest Ag Supply and 33 entries were in this category. The final event required finalists to make a six minute presentation on their idea for the three final judges – Chad Evans of Centennial Homes, Paul McDonald of Dacotah Bank and Rod Tobin of Siegel Barnett and Schutz. Students also heard from business owners Blain Mikkonen of Grain Designs, Carl Pochop of Colorful Creations and AJ Hoffman of SoDak Sports. They spoke about all aspects of being an entrepreneur. Each panelist shared their achievements and struggles in starting and owning their own business and offered advice for those who might one day want to turn their BIG Idea into reality.

This year's BIG Idea competition also included an honorable mention award

The BIG Idea Competition aims to promote entrepreneurship, spur creative thinking and encourage students to start a business.

for those applicants who scored within 10 percent of the finalists. There were 59 honorable mention idea entries and three honorable mention marketing designs. In addition to the schools listed above, students from the following high schools also participated: Bowdle, Brandon Valley, Brookings, Colman-Egan, Custer, Eagle Butte, Edmunds Central, Eureka, Groton, Harrisburg, Hoven, Lead-Deadwood, Lemmon, Lennox, Madison, Miller, Montrose, Parker, Pierre T.F. Riggs, Redfield, Vermillion, Warner, Watertown, Waverly/South Shore, Wessington Springs, West Central and Yankton.

For the first time, the BIG Idea Competition was able offer an award for teachers. The new prize, the Partners in Business Award, is sponsored by Angelhaus to

reward the networking and mentorship experiences teachers have incorporated into their classroom. This year's recipients of the Partners in Business award are Vicki Lentz of Sully Buttes High School, Jerry Janisch of Milbank High School and Katrina Boyum of Florence High School.

For the second year in a row, CREATE sponsored a Makerspace consultation prize. The drawing includes four consultations, a year of makerspace management software and a final report with a blueprint for starting a makerspace. The winning school was Florence High School.

Sponsors for the 2018 competition included Sanford Health, East River Electric Power Cooperative, REED Fund, Dacotah Bank, Midwest Ag Supply, First Bank and Trust, NSU, Presentation College, Aberdeen Development Corporation, McQuillen Creative Group, Northwestern Energy, Angelhaus, CREATE, Midcontinent Communications and the Tom and Danielle Aman Foundation. The Competition is a result of the input and collaboration of many organizations including: Aberdeen Area Chamber of Commerce, Aberdeen Downtown Association, Aberdeen Catholic School System and Aberdeen School District.

For more information about the competition, see www.BIGIdeaSD.com.



2018 BIG Idea Finalists were, sitting from left, Hattie Muellenbach, Milbank; Avery Weinheimer and Kendra Kleven, Sully Buttes (First Place and Wellness Winners); Jade Parkin, Rapid City Stevens (Second Place); Danielle Houghtaling, Doland High School (Marketing Design and Food Animal Agriculture Winner). Standing are, from left: Christine Stoltenberg, Northwestern; Aiden Boerger, Milbank; Maria Jenkins, Leola; DeLaney Anderson, Henry; and Brianna Jorgenson, Florence.

January 17

Community Club Annual Banquet, Dinner catered by The Knotty Pine Supper Club, Entertainment by Comedian Scott Novotny, Elkton, SD
Tickets 605-542-2681

January 18-19

Media One Funksi, Sioux Falls, SD, 605-339-0000

January 18-19

Winter Show, Sisseton, SD, 605-698-7261

January 18-20

Winterfest, Lead, SD, 605-584-1100

January 25-26

Snowmobile Rally, Deadwood, SD, 605-578-1876

January 25-26

Living History Fair, Lake Area Technical College, School children only on Friday, Open to public on Saturday, Watertown, SD, 605-881-1758

January 25-February 3

Annual Black Hills Stock Show & Rodeo, Rapid City, SD, 605-355-3861

January 26

Sioux Empire on Tap, Sioux Falls, SD, 605-367-7288

January 26-27

Dakota Territory Gun Show, National Field Archery Building, Yankton, SD, 605-665-4537

February 1-3

11th Annual Winterfest of Wheels, Convention Center, Sioux Falls, SD, 605-231-3100

February 2

Lake Hendricks Fishing Derby, Hendricks, MN, 507-828-2113

December 15-March 31:
South Dakota snowmobile trails season, Lead, SD, 605-584-3896



Photo courtesy: travelouthdakota.com

February 2-3

Dakota Territory Gun Show, Dakota Event Center, Aberdeen, SD, 701-336-7533

February 5-9

Winter Farm Show, Watertown, SD, 605-886-5814

February 8-10

Black Hills Sports Show & Outdoor Expo, Rapid City, SD, 605-939-1812

February 9-10

Dakota Territory Gun Show, Trophy Show - The Big One, Convention Center, Sioux Falls, SD, 605-630-2199

February 15-17

Annual Artists of the Plains Art Show and Sale, Sioux Falls, SD, 605-274-4007

February 15-17

Annual Frost Fest, Brookings, SD, 605-692-6125

February 16-17

Dakota Territory Gun Show, Ramkota River Centre, Pierre, SD, 605-280-2438

February 21-23

Sno Jam Comedy Festival, Sioux Falls, SD, siouxfallssnojamcomedyfest@gmail.com

February 22-23

State Wrestling Tournaments, Rushmore Plaza Civic Center, Rapid City, SD, 605-394-4111

February 23

Annual Outhouse Races and Chili Cook-off Contest, Nemo, SD, 605-578-2708

March 1-2

Mardi Gras Weekend, Main Street, Deadwood, SD, 605-578-1876

March 9-10

2019 Gun Show, American Legion Hall, Saturday 9 a.m. to 5 p.m., Sunday 9 a.m. to 3 p.m. MST, Philip, SD, 605-441-8466 or 605-441-1216

March 9-12

Summit League Basketball Championship, Sioux Falls, SD, 605-367-7288

March 15-16

28 Below Fatbike Race, Lead, SD, 605-584-3435

March 23

Annual Ag Day at the Washington Pavilion, Sioux Falls, SD, 605-367-6000

March 29-30, April 5-6

Annual Schmeckfest, Freeman, SD, 605-925-4237

April 5-6

Forks, Corks and Kegs Food, Wine and Beer Festival, Deadwood, SD, 605-578-1876

To have your event listed on this page, send complete information, including date, event, place and contact to your local electric cooperative. Include your name, address and daytime telephone number. Information must be submitted at least eight weeks prior to your event. Please call ahead to confirm date, time and location of event.