



FREESTATE ELECTRIC
COOPERATIVE, INC.

TheOutlet

FREESTATE ELECTRIC COOPERATIVE, INC.

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STAFF

Christopher Parr

CEO

DISTRICT OFFICES

MCLOUTH OFFICE

P.O. Box 70

McLouth, KS 66054-0070

TOPEKA OFFICE

1100 S.W. Auburn Road

Topeka, KS 66615

OFFICE HOURS

Monday-Thursday

7 a.m.-5:30 p.m.

HOLIDAY CLOSURES

FreeState offices

will be **CLOSED ON**

JAN. 1 for New Year's Day.

FROM THE CEO

Board to Vote on Proposed Rates

FreeState's Board of Trustees will hold a special meeting on Monday, Jan. 27, 2025, at 5:30 p.m. at the Topeka office warehouse. At this meeting, the board is prepared to hear member feedback in addition to the discussions staff and several trustees have had with members at the four member meetings. The board will also vote on the proposed rate tariffs to modernize electric rates and set the cooperative up for further financial success.

Earlier this year, FreeState announced a cost-of-service study would be necessary to examine current rate structures. The co-op hired a third-party rate consultant, Power System Engineering, to complete the study. It is the first time the cooperative has done a complete cost-of-service study since prior to the consolidation between Leavenworth-Jefferson Electric Cooperative and Kaw Valley Electric Cooperative in 2017. LJEC most recently completed a cost-of-service study in 2009 and KVEC had most recently completed a cost-of-service study in 2012.

Since rates were last adjusted, the cost of doing business has increased significantly. Efforts like the consolidation eight years ago, and two updates to the electric service charge in the past five years have not been enough to keep up with the changing economic climate.

Co-op trustees and staff understand there is never a good time to adjust the cost of something members depend on. However, costs of doing business and providing you with reliable power have continued to increase and rates must also change.

Internally, we have modified budgets and adapted. We've curbed spending and looked at critical operations. Still, supply chain challenges,

Continued on page 12D ►



Chris Parr

“For the past eight years, FreeState has absorbed as many costs as possible to avoid or delay any additional burden to our members.”

**SPECIAL
BOARD
MEETING**

MONDAY,

JAN. 27

5:30 P.M.

TOPEKA OFFICE

1100 S.W. AUBURN ROAD

Proposed Rates Offer Control and Choice

In an effort to address rising operational costs, FreeState Electric Cooperative has announced a comprehensive plan to modernize its electric rates. This plan aims to reflect the true cost of providing service while offering members more control and convenience.

FreeState Electric Cooperative has operated for the past eight years under two separate rate structures. Now, the time has come to unify these rates to reduce administrative costs and empower members with greater control over their monthly bills.

The plan to modernize rates is outlined here and it should be noted that all rate changes are proposed. The board of trustees have heard recommendations from staff but will also hear input from members prior to making a final decision on rate changes.

To provide input to the board, you can attend the virtual meeting or the special board meeting.

- ▶ **WEDNESDAY, JAN. 8** virtually.
- ▶ **MONDAY, JAN. 27, 2025, AT 5:30 P.M.** at the Topeka office.

“We realize there is never a good time to change rates, because nobody wants to see something they depend

on daily get more expensive,” said CEO Chris Parr. “But we have come to a point in time where our rate structure needs to address inflationary pressures.”

“Modernization ensures that rates accurately reflect costs associated with providing reliable service, analyzing expenses and reallocating costs where necessary,” Parr said. “We need to maintain sustainable, equitable rates that are responsive to member needs.”

COST-OF-SERVICE STUDY

FreeState worked with Power System Engineering (PSE) to conduct a cost-of-service study (COSS) to get a comprehensive look at the cooperative’s rates and to determine if FreeState could continue meeting its financial obligations.

As a not-for-profit electric cooperative, rates charged for power are only designed to cover the cost of providing electric service with any margins becoming the property of the membership. To determine costs, electric cooperatives perform a rate class COSS. A COSS begins by grouping members based on their similar usage patterns — called rate classes. The

largest rate class in terms of number of accounts at FreeState is residential.

The next step is to do a functional assignment, where costs are assigned to one of three categories, as outlined below.

- ▶ **POWER SUPPLY COSTS** include the purchasing of power from wholesale suppliers. Ours are Evergy and Kansas Electric Power Cooperative (KEPCo).
- ▶ **TRANSMISSION AND DISTRIBUTION COSTS** include ownership and maintenance of all transmission and distribution plant needed to deliver electricity to where it is used, including lines, poles and service facilities.
- ▶ **MEMBER COSTS** include preparing, sending and collecting monthly bills, technology and metering expenses, and member relations costs.

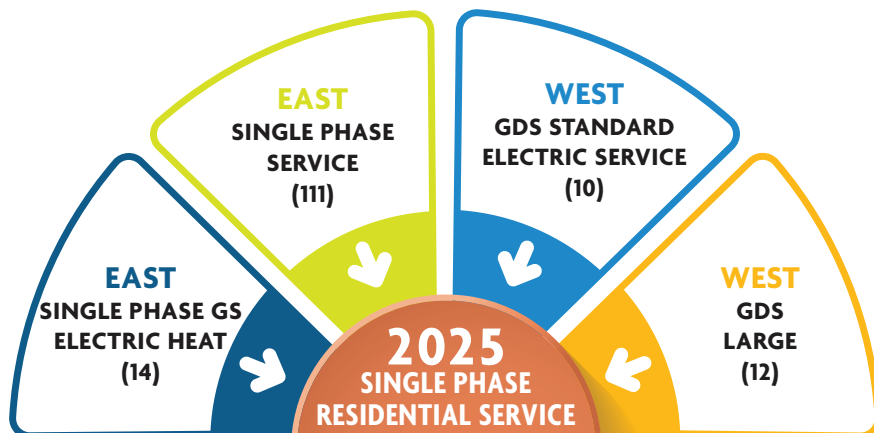
The costs identified in the COSS are then further classified into three parts that create the rate structure:

- ▶ **CUSTOMER COSTS** are fixed each month and are the same for each member in a rate class. These costs recover expenses needed to distribute electricity from generation sources and that includes transmission, distribution, transformers, wires and delivering energy to each member.
- ▶ **ENERGY COSTS** vary based on the number of kilowatt-hours (kWh) of electricity used.
- ▶ **DEMAND COSTS** vary based on the intensity at which electricity is used at a given time, which is measured in kilowatts (kW.)

Finally, costs are allocated to each rate class based on how many members are in each rate class, how much energy is used by each rate class, and how intense that usage is during certain times when parts of the grid are stressed.

When the study is completed, the board of trustees reviews the information and recommendations

SIMPLIFY FOUR DIFFERENT RATES INTO ONE



The proposed Single Phase Residential Service rate replaces four of the previous residential rates offered in the east and west districts. These are for residential service only. Members in both districts on one of these four rates will be put on the new rate by default, but may opt to change to a single-phase residential time-of-use rate.

from staff and PSE, the third-party that conducted the study.

FINDINGS FROM THE COST-OF-SERVICE STUDY

The study, presented to the FreeState Board of Trustees, showed the cost to purchase and provide power has risen, with the price of infrastructure materials increasing up to 113% since 2020. The study showed the need to increase revenue by 5% overall.

“It seems like a huge percentage,” Parr said. “But that number is reflective of the changes in the energy industry and economic environment we are currently in.”

Parr explained that as the cost of producing energy continues to increase, a distribution cooperative, like FreeState, has little control over what price the cooperative pays per kilowatt-hour.

“We have been able to maintain the price members pay per kilowatt-hour for over a decade,” Parr said. “We made a commitment to our members to keep rates stable for five years after the 2017 consolidation and we’ve exceeded that. We have tightened our belts these past three years as we saw these increases impact our bottom line, but we’ve held off rate increases as long as we can. We are in a good financial position, but we need to look forward and we are at the point where changes are needed to continue for sustainability.”

Member expectations include being

served by a financially viable and stable cooperative. Business strategy is important at FreeState. Every day, we all feel the impact of rising prices around us. It’s hard not to notice rising costs every time we make a monetary transaction. The cooperative sees it, too.

Thirty-one percent of cooperative staff are also members and all our board of trustees are members that have been elected by you to govern your cooperative. That means every decision made impacts those making the decisions, too.

NEW RATE STRUCTURE

The new rate structure for single-phase residential service will be implemented gradually from 2025 to 2028. This will allow FreeState to make incremental changes to the Electric Service Charge and Demand Charge to meet financial obligations and projected increases associated with providing reliable power. The Energy Charge will remain constant at \$0.13128 per kWh.

MEMBER CONTROL, CHOICE AND CONVENIENCE

The first choice you have is whether to be on the default residential rate or instead choose a **TIME-OF-USE RATE**. While this option has been available in the east district for some time, we are now able to offer it in the west district as well, providing the same options for all of our members. The concept behind

Continued on page 12D ►

SINGLE PHASE RESIDENTIAL SERVICE	2025	2026	2027	2028	UNITS
Electric Service Charge	\$40.10	\$41.00	\$42.00	\$43.00	\$/Mo.
Demand Charge (15 min. NCP)	\$1.00	\$1.50	\$2.00	\$2.50	\$/kW
Energy Charge	\$0.13128	\$0.13128	\$0.13128	\$0.13128	\$/kWh
Power Cost Adjustment	Varies	Varies	Varies	Varies	\$/kWh

SINGLE PHASE TIME OF USE-RESIDENTIAL	2025	2026	2027	2028	UNITS
Electric Service Charge	\$40.50	\$41.00	\$42.00	\$43.00	\$/Mo.
Off-Peak Energy	\$0.11000	\$0.10750	\$0.10500	\$0.10250	\$/kWh
On Peak Energy (Weekdays 3-6 p.m.)	\$0.30000	\$0.35000	\$0.40000	\$0.45000	\$/kWh
Power Cost Adjustment	Varies	Varies	Varies	Varies	\$/kWh

APPLY NOW FOR YOUTH TOUR

FreeState Electric Cooperative invests in our youth through opportunities designed to provide dynamic, personal interactions with fellow youth, cooperative employees and legislators.

These experiences guide future citizens to develop leadership and communication skills. Youth programs are all-expenses-paid trips that are truly experiences of a lifetime for those selected.

One student will have an opportunity to visit Washington, D.C., for the Electric Cooperative Youth Tour in June, and one student will experience Steamboat Springs, Colorado, during the Cooperative Youth Leadership Camp in July. The two selected high school students will also receive a \$1,000 scholarship.

Any high school junior living in the FreeState Electric Cooperative territory whose parent or guardian is a FreeState member is eligible.

FIND OUT MORE AND APPLY AT WWW.FREESTATE.COOP/YOUTH BY FEB. 14, 2025.

SEEKING TRUSTEE NOMINATIONS

CANDIDATES MUST:

- ▶ Be an individual.
- ▶ Be able to enter legally-binding contracts.
- ▶ Not have been previously removed or disqualified as a trustee.
- ▶ While a trustee, not be convicted of, or plead guilty to, a felony.
- ▶ Earn the credentialed cooperative trustee designation, trustee’s certificate, or similar designation of certification from the National Rural Electric Cooperative Association within three years of becoming a trustee.
- ▶ Comply with any other reasonable qualifications determined by the board.

Board applications are available at www.freestate.coop/annualmeeting and due **BY THURSDAY, JAN. 30 AT 5:30 P.M.**

Proposed Rates Offer Control and Choice

Continued from page 12C ▶

the TOU Rate is simple: rather than a single flat rate, you pay different rates for electricity based on the time of day. Under this rate, the amount of electricity you use is just as important as when you use it.

For some members, our TOU Rate can help save money if you are able to reduce your weekday energy use during the hours of 3 to 6 p.m. (when electricity prices are the highest). Members on this rate are incentivized for using energy during off-peak periods (when electricity prices are the lowest).

Off-Peak Energy Charges will start at \$0.11000 per kWh in 2025 and decrease to \$0.10250 by 2028, while Peak Energy Charges (applicable from 3 to 6 p.m. on weekdays) will start at \$0.30000 per kWh in 2025 and increase to \$0.45000 by 2028.

We also offer some tools and options that can help members manage their accounts.

- ▶ **SMARTHUB** is our most popular **FREE** tool that provides information about your account 24/7. You can monitor usage, see your costs and find ways to be more efficient. We even have a catalog of ways (101 to be precise) you can save money, and they all require minimal effort — no matter if you own or rent your home.
- ▶ **BUDGET BILLING** allows qualifying members to spread out electric costs over 12 months rather than facing large bills during volatile seasons.
- ▶ **POWERPAY** offers daily billing and flexibility on how much and when you pay.
- ▶ **VANILLA DIRECT** is a cash payment option available at various local retailers to pay your bill.

We want to provide options that best fit your lifestyle because you expect convenience and consistent service

PERSONALIZED ANALYSIS

The cooperative has set aside time on the second Thursday of each month during regular office hours so that members can visit the McLouth or Topeka office and review their bills with a representative to see how the modernized rates may affect their monthly charges. Call 800-794-1989 to make an appointment.

▶ JAN. 9

▶ FEB. 13

▶ MAR. 13

from your cooperative. We're here to help, so give us a call to talk about billing options or to sign up for paperless billing and save a stamp each month. You can even **AMP** up your paperless billing by choosing the convenience of automatic monthly payments.

WHEN WILL CHANGES HAPPEN?

All rate changes are **PROPOSED** and will be voted on by the board of trustees during a special meeting on **MONDAY, JAN. 27, 2025, AT 5:30 P.M.** at the Topeka office and live streamed on our website.

The board has been going through recommendations and studying how we can meet financial requirements, and maintain the commitment to members to provide affordable, safe and reliable energy. And, each trustee is also a member so the decision they make in the board room will impact their own accounts, as well.

FreeState's rate modernization plan is a proactive step toward ensuring sustainable and reliable electric service for its members. By aligning rates with actual costs and leveraging advanced technology, the cooperative is positioning itself to better meet the evolving needs of its members.

Members are encouraged to attend an upcoming meeting to learn more and provide feedback on the proposed changes. For more information, visit www.freestate.coop/rates or call the office at 800-794-1989 or email customerservice@freestate.coop.

Board to Vote on Proposed Rates *Continued from page 12A ▶*

record inflation and the cost to produce and transmit power have been factors outside our control.

For the past eight years, FreeState has absorbed as many costs as possible to avoid or delay any additional burden to our members. We've been successful up to now, but we've reached a point where it is no longer sustainable for the long-term financial future of the co-op.

We need to be more proactive. We need to be fiscally responsible.

Pages 12B-C contain more information about the

proposed rates and how they impact each of you. If the board passes the proposed rates, they will be implemented for January 2025 usage, and you will see new rates on your February 2025 bill.

We invite and encourage our members to provide feedback — it's part of the cooperative difference. To provide feedback, visit www.freestate.coop/rates. Members can provide comments and feedback until Jan. 27 at 5 p.m. The board will review all feedback before the vote on Monday, Jan. 27.