

## MESSAGE FROM THE GENERAL MANAGER: DOUG ELLIOTT

### 2020 Year in Review

2020 came with many challenges and now that it's in the rearview mirror I'd like to provide an update on some of the cooperative's accomplishments. KEC continued to provide exceptional service to its members amid near record growth despite the challenges created by a worldwide pandemic. The cooperative invested approximately \$18 million in capital construction, extended service to nearly 1,100 new members, and advanced several other major projects benefiting the cooperative's membership.

#### Financial Performance

KEC's financial performance throughout the year was exceptionally strong. We closed the year with total revenues of \$50.1 million and net margins of just under \$6 million. Of this, \$2.5 million was attributable to a one-time gain realized from the sale of our headquarters facility that will be reinvested in the construction of a new one. Due to this strong performance, the board of directors authorized the return of nearly \$3.4 million through capital credit retirements to members who received service from the cooperative in 1992 or who have enrolled in our Early Discounted Capital Credit program. As a result of these financial achievements, our year-end equity, which is a measure of the portion of the cooperative's assets that are owned by our membership, was 40.3%. This is well within our strategic performance goal for managing equity within a range of 36-42%.

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### Annual Meeting Scheduled for May 17, 2021

For more than 80 years, we've been owned and governed by those we serve. KEC's Annual Meeting is one way to stay informed about what's happening at your cooperative. Unfortunately, the coronavirus pandemic and social distancing have again created some challenges for KEC's traditional annual meeting and election plans. Since we do not know what the state of COVID-19 will be in May, we may need to limit the number of in-person attendees. To facilitate this meeting without requiring a quorum of 150 members to participate in person, we are conducting our director election by mail and online. Election materials were mailed in early April and the deadline to vote is April 21, 2021.

**Meeting date:** Monday, May 17, 2021

**Where:** Lake City Church, 6000 N. Ramsey Rd., Coeur d'Alene.

**Registration (4-6 p.m.):** During this time members may visit informational booths and view a pre-recorded video from the general manager on the state of the cooperative. This will allow for a shorter message to be provided in-person. Regrettably, refreshments will not be served.

**Business Meeting (6-6:20 p.m.):** The meeting will also be streamed live. Watch [www.kec.com](http://www.kec.com) for details. Please contact us with questions at 208.765.1200 or [kec@kec.com](mailto:kec@kec.com).



## OPERATION ROUND UP® GRANTS AWARDED TO OUR COMMUNITY

Operation Round Up® is supported by KEC members who voluntarily “round up” their monthly electric bills to the nearest dollar to help our neighbors in need. The extra pennies go into the Kootenai Electric Trust fund, which distributes grants to worthy causes in KEC’s service territory. Through this program, more than \$1.2 million has been invested in our community.

In February 2020, the Trust Board awarded Operation Round Up grants to the following organizations:

- \$2,500 to the Community Action Partnership for Project Share, which provides funds to members who qualify for help paying their energy bills.
- \$2,500 to North Idaho Christian School to purchase the supplies needed to incorporate an indoor gardening system into their curriculum.
- \$2,500 to the Rathdrum Senior Center to purchase containers for home-delivered meals.
- \$2,500 to the North Idaho Fair Foundation for the Farm to Table event for area fifth grade students to learn where their food comes from.
- \$2,400 to Kootenai School District to pay for student drone operator certifications. This is the first year they are offering a drone course for students.
- \$2,000 to Office Moms & Dads, which assists child welfare offices to provide a nurturing environment for children entering foster care.

Grant applications are available at [www.kec.com](http://www.kec.com).



**Photo above: Trust Board members award a \$2,500 grant to the Rathdrum Senior Center Board.**

### Are you interested in serving on the Trust Board?

The Trust Board is made up of KEC members who serve on a voluntary basis. They receive and evaluate all grant requests and scholarship applications and determine how funds will be distributed. Trust Board positions will be open this year. If you’re interested in serving please email [eneff@kec.com](mailto:eneff@kec.com) or call 208.292.3270.

Members who choose not to contribute to Operation Round Up®, or who would like to begin contributing, may simply “opt-out” or “opt-in” on their bill/in SmartHub or contact KEC by phone, letter or email.

## NEWS BRIEFS

### APRIL IS NATIONAL SAFE DIGGING MONTH

Before you start any digging project be sure to call 811. Digging without calling can disrupt service to an entire neighborhood, harm you and those around you, and potentially result in fines and repair costs. Calling 811 gets utility-owned underground lines marked for free and helps prevent undesired consequences.

### KEC BOARD MEETINGS

Members are welcome to attend monthly board meetings. Meeting dates vary—please call Constance Felten at 208.292.3211 for details.

### BILL CREDIT WINNER

Last December, members were encouraged to take KEC’s annual satisfaction survey. We offered a chance to win a \$300 bill credit to all members who took the survey. Congratulations to winner Jessica Geiger of Athol. Thank you to all the members who participated in the survey.

### WIN A \$50 ENERGY CREDIT

Below are 10 KEC account numbers. If you find yours contact us at 208.765.1200 to receive a \$50 bill credit.

**1334023, 1816743, 1669525, 1275401, 1817126,  
1842443, 1834634, 1626264, 1828483, 1585491**

## Employee Spotlight: Don Bush

Don Bush is an operations superintendent. He has worked for KEC for 29 years.

### What does a day look like for you as an operations superintendent at KEC?

In my role I oversee KEC's line crews, any contract line crews and all vegetation management crews. I'm also responsible for crew and construction project scheduling. Each day I meet with the foremen to ensure that their projects are going smoothly and that they have the equipment and staffing needed.

### What made you interested in line work? How did you train to prepare for work in this field?

My dad was a lineman and finished his career at Northern Lights in Sagle. Ever since I was a kid, this is what I wanted to do. After graduating high school, I started a power line clearance tree trimming apprenticeship and completed that as a journeyman tree trimmer. From there I went into a construction line apprenticeship and then worked as a journeyman lineman and foreman at KEC.

### Tell us about KEC's approach to vegetation management.

Trees are the number one cause of power outages and that's why our right-of-way (ROW) or vegetation management program is such a critical component of maintaining the reliability of our system and preventing wildfires. KEC's ROW program focuses on the identification and removal of hazardous trees as well as the pruning of vegetation that interferes with our distribution lines.

Our goal is to perform ROW trimming on each part of our system every seven years. The tree trimming cycle is selected to maintain required safety distances to power lines (any vegetation growth within 15 feet of overhead line conductors) with anticipated regrowth that will occur before the next trimming cycle. To meet our ROW goals, we currently have eight full-time contract crews working for us, an increase of five crews since the beginning of 2020. It's also important to note that more than half of KEC power lines are underground and almost all newly constructed lines are put underground to help eliminate tree related power outages and mitigate risk of wildfires.

ROW crews trim and control vegetation for all overhead line segments working sequentially down the line, starting at the substation and moving down the spans to single lines. It is the member's responsibility to maintain the service lines (pole to weatherhead). If scheduled, KEC crews can disconnect power to the service line so



members may safely trim vegetation. Visit [www.kec.com](http://www.kec.com) to learn more about which equipment KEC owns and which equipment is the member's responsibility.

While KEC has the authority to cut trees that grow within the power line ROW, we do not have the authority to cut those growing outside the ROW. For context, our typical ROW is 30 feet wide with the power line in the middle of it. Before removing a tree growing outside our ROW which threatens our power lines, landowner permission is needed. KEC makes this easy for landowners. All they need to do is say 'yes' and the tree will be removed at no cost to them. Landowners who are unwilling to allow KEC to remove trees on their property which threaten our power lines may be notified in writing. Depending on fire risk and size of the debris, vegetation management crews will dispose of debris in one of the following ways: chipping into a truck or in place (live material only) or chopping and scattering around the property. Any debris too large to chip or impractical to chop will be left on site for member use.

Safety is always a priority. If you see any vegetation that you feel could imminently cause a fire, please contact us. If you have a question or concern about trees or vegetation management, please contact us at 208.292.3292 or [trees@kec.com](mailto:trees@kec.com).

### Where is KEC conducting trimming in 2021?

Our goal is to trim 125 miles of line each year. Currently, we have crews working in Hayden moving down Lancaster Road toward Hayden Lake. In addition, we have crews finishing trimming work in the Harrison area and then moving to Twin Lakes.

### What is the best part of your job?

My co-workers are the best part of the job. At KEC, we are very innovative, and it is a great feeling to know we are helping our membership.

## General Manager's Message Continued...

### FEMA Mitigation Projects

We completed the construction of the FEMA mitigation projects related to the 2015 wind and snowstorms and submitted the final reports required for reimbursement under the grant program. The completion of this work represents one of the most significant investments and improvements in system-wide reliability ever achieved by the cooperative. Through these grants, the cooperative converted 51 miles of overhead line to 65 miles of underground line at a total capital cost of more than \$21 million of which our grant covers 75%.

### Facilities Master Plan

In 2020, KEC completed a Facilities Master Plan to assess whether our current headquarters and the land it is constructed on could adequately serve the cooperative's long-term needs. From that study, it became evident that the construction of a new headquarters was in order. In turn, KEC negotiated and closed on the sale of our headquarters facility in Hayden to Kootenai County with a three-year lease back provision allowing the cooperative to continue to occupy it while our new headquarters is constructed. KEC also sold the property across the street from our headquarters building to a separate buyer with a similar leaseback arrangement. In December 2020, KEC made an offer on a piece of property near Rathdrum for our future headquarters that was contingent on the favorable outcome of additional due diligence, which has since been completed. KEC closed on this purchase in March 2021. We anticipate architectural engineering to begin in April of this year with construction commencing in spring 2022. The new headquarters should be open for business by mid-2023.

### Other notable projects include:

- In March 2020, KEC began operating under a new System Inspection and Maintenance program which includes all aspects of system operations from substation inspections to increased right-of-way management. This plan will help ensure our cooperative's infrastructure continues to be well maintained and service reliability continues to be enhanced.
- In early 2020, FEMA announced that approximately \$400 million in federal grant funding would be competitively awarded to qualifying entities for disaster mitigation investments under its Building Resilient Infrastructure and Communities grant program. Grant applications were due by the end of 2020 with awards to be announced in the latter part of 2021. KEC submitted grant applications to place overhead lines underground in the following areas to improve reliability: Spirit Lake East, Farragut State Park/Naval Warfare Center, and Hayden Lake North and East. The grant would cover approximately 75% of the capital cost of construction.



### Power Cost Adjustment

While KEC continues to control its own operating costs, the cost of purchasing power from the Bonneville Power Administration (BPA) through our long-term power supply contract continues to increase. While that power, which is produced by the federal hydro system on the Columbia River, is among the cleanest and least expensive in the nation, the cost of production and transmission is rising. Additionally, a discount BPA extends to the cooperative for power purchases which we have long benefited from is expiring as the density of members in our service territory grows.

**What does all this mean for KEC rates?** In 2020, KEC conducted a cost of service study, which confirmed the need for a power cost adjustment (PCA). The current PCA charge is \$0.00203 per kWh. Effective with the April 2021 billings, the PCA will increase to \$0.00549 per kWh. The net effect of these changes to the average residential member using 1,100 kWh per month is about a \$3.80 increase. It's also important to know that the primary driver for anticipated rate increases over the next decade has mostly to do with the increasing cost of purchased power. This is a reflection of our commitment to keep rates as low as possible without compromising our commitment to service excellence and safety. Visit our website at [www.kec.com](http://www.kec.com) to review rate schedules. You can also use our rate calculator to see how your bill will be affected by these changes. Please contact us at 208.765.1200 if you have any questions about your electric bill.

In closing, KEC has had strong performance amid a challenging year. We are proud to serve you and continue to be guided by our mission of providing exceptional service and dependable electric power at competitive rates.

**Doug Elliott, KEC General Manager/CEO**