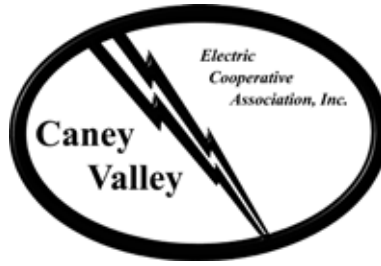


August 2006

A Communication
Service To Our Members

OICE

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From the Manager's Desk...North Sedan Transmission Line



Allen A. Zadorozny

Many of you have watched the transmission line work north of Sedan along Highway 99 over the last

two months. The 69 kV rated transmission line is being replaced due to damages and weakening of the structures caused by the widespread ice storm on January 29, 2002.

Funding of this project was made possible by a grant received from the Federal Emergency Management Agency (FEMA). The original grant application was for a project cost estimated at \$1 million. As you can understand in these times, by the time the grant application approval process was completed, the costs are actually going to run about \$1.1 million. The cooperative's share of the construction costs is 30%, or about \$350,000. The project is scheduled to be completed by August 15, 2006.

The following are some excerpts from the grant application which may be of some interest to you:

- Overview of Past Damages:
On January 29, 2002, southeast-

ern Kansas experienced a major ice storm. The Caney Valley Electric Cooperative Association sustained damage to electric distribution and transmission facilities throughout its service area. Ice loads in the range of 2.5 to 3.0 inches in diameter accumulated on the cooperative's lines and structures. One four-mile section of the cooperative's 69 kV transmission loop was left lying west of Cedar Vale on the ground. Many other sections of the transmission loop experienced damage in the form of broken cross-arms, broken conductors, and broken poles. The counties served by Caney Valley Electric were declared disaster areas. Federal financial assistance from FEMA was made available to help restore the cooperative's facilities. The extreme loading that the line experienced caused stretching and deformation of the structures, hardware, and conductors that will accelerate degradation of the line. The existing line was originally constructed in 1956.

- The physical location of the areas that will benefit from this project include all of central and western Chautauqua County, and southeastern Cowley County. The following cities that will

benefit are: Sedan, Cedar Vale, and Maple City.

- Rebuilding the Sedan switch to Sedan Substation section of Caney Valley Electric's transmission loop will involve converting 7.7 miles of 69 kV wood pole transmission line to 69 kV steel pole transmission line along and within the same right-of-way corridor. The proposed steel pole transmission line is a high reliability, low maintenance design that will provide greater withstand capability for extreme ice loading and extreme wind loading. This project will replace a critical section of the cooperative's transmission system used for providing primary service to the Sedan substation area and backup service to the Phillips and Cedar Vale substation areas. Given the same conditions that were experienced in the ice storm of 2002 the new line would perform significantly better, since it is designed for extreme conditions. Additionally, the design is more environmentally friendly.

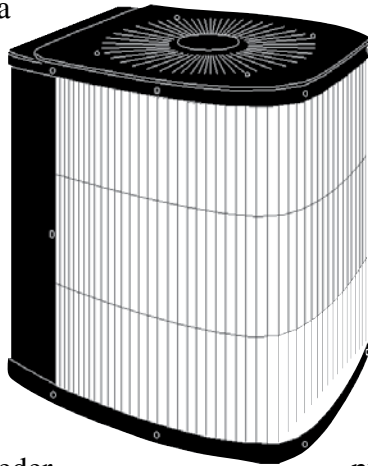
If you have questions regarding this project, or would like to discuss anything pertaining to Caney Valley Electric, please feel free to contact me any time.

Allen A. Zadorozny, Manager

New Air Conditioner Standards Save Energy

The U.S. Department of Energy has recently enacted a new set of standards for air conditioners that will help reduce the cost of cooling. This upgrade is just the latest in a series of improvements to air conditioning equipment. Today's systems are up to 50 percent more efficient than the equipment available a generation ago.

The efficiency of central air conditioners is rated by the Seasonal Energy Efficiency Ratio (SEER). The higher the SEER number, the less electricity the equipment will use to cool your home. Federal standards require manufacturers to provide equipment that meets minimum a SEER rating, and for many years that minimum was SEER 10. As of January 2006, the minimum rating is now SEER 13. Buyers of this new equipment will



benefit from a 30 percent increase in efficiency, and they will see a corresponding decrease in their summer electric bill.

According to the U.S. Department of Energy, the change to SEER 13 will save 4.2 quadrillion BTUs of energy between 2006 and 2030. As a point of perspective, this is equivalent to the annual energy use of 26 million U.S. households, with a total savings to consumers of approximately \$1 billion by 2020.

The new SEER 13 equipment is more expensive to purchase, but studies show that the average U.S. family should recoup their investment within three and a half years. For more information about efficient air conditioners, go to the ENERGY STAR website: www.energystar.gov.

Remember the 4 p.m. - 8 p.m. Challenge

For the months of August and September, Caney Valley Electric is asking all our members to participate in a voluntary Peak Control program from 4 p.m. to 8 p.m. every weekday. All you have to do is curtail your electric usage during those hours.

Caney Valley Electric is billed during October through May based on the peak electricity demand registered during July and August. Days that have high temperatures forecasted above 90 degrees are the type of days when peak demands usually occur. So, the lower we can keep the peak demand, the lower we can keep our wholesale electric costs.

Participating in Peak Control helps Caney Valley Electric hold down electricity costs for all of our members. **By helping hold the line on demand charges, you, the members, will also limit the amount of the resulting power cost adjustment (PCA) charges added to your electric bills.**

Please contact our office at (620) 758-2261 or 800-310-8911 if you have any questions.

Operating Statistics

For Month Ending	May 2005	May 2006
Customers Billed	5,233	5,272
Kilowatt Hours Sold	3,235,954	3,600,812
Total Revenue	\$ 384,809	\$ 466,118
Purchased Power	\$ 246,532	\$ 278,041
Operating Expenses	\$ 141,211	\$ 172,606
Depreciation Expenses	\$ 44,789	\$ 42,508
Interest Expenses	\$ 32,071	\$ 34,085
Other Expenses	\$ 200	\$ 233
Operating Margins	\$ (79,994)	\$ (61,355)
Non-Operating Margins	\$ 2,451	\$ 3,387
Total Margins	\$ (77,543)	\$ (57,968)
Margins Year-to-Date	\$ 186,311	\$ 122,378

Power Cost Adjustment

The Power Cost Adjustment (PCA) for August is \$0.02119.

This calculates to an additional \$21.19 per 1,000 kilowatt hours used.