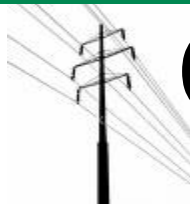




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CATSKILL HI-LINE

Bi-Monthly Newsletter

Volume 72—Issue 3

May/June 2016

Powering Our Rural Communities

Two Central Region Board Seats Up for Election

On April 14, 2016, the first official Nominating Committee meeting of the year was held at the DCEC office. This independent committee meets to recruit potential candidates for the upcoming director’s election during the Annual Member Meeting in September. This year there are two Central Region board seats up for election. The **Central Region** consists of the Towns of Bovina, Delhi, Franklin, Hamden, Kortright, Meredith.

The 2016 Nominating Committee is seeking candidates for the board seat vacated by Director Hungerford as well as another Central Region seat currently filled by Board President, Steve Oles. In accordance with the Cooperative’s bylaws, the top two vote-getters from among the Central Region candidates will fill the two contested Central Region seats on the Board of Directors.

Meg Hungerford, a Central Region director from East Meredith, has announced her decision to not seek re-election for the 2016 – 2019 term on the Board of Directors. CEO, Mark Schneider stated that “the Cooperative will miss Director Hungerford’s keen insights related to financing, budgeting, accounting, and human resources.”

Each interested nominee has to be a full-time member of the Cooperative and reside within the region up for election. In addition each party is required to submit the following information to the Nominating Committee;

- Letter presenting your credentials and qualifications
- Explain why you are interested in serving on the DCEC Board of Director
- Include any other information that you feel may be relevant in applying for the candidacy

To review director policies or details about becoming one please visit www.dce.coop or call (607) 746-2341.

Delaware County Broadband Initiative (DCBI) Project Moves Forward with Construction ...See Page 4 for Details

Cooperative Financials

Cooperative members are owners of their electric cooperative, not just customers. Members gain ownership shares in their cooperative through a process called “capital credit allocation.” DCEC is allocating \$573,959 in ownership equity to all members who paid electric bills to the Cooperative during 2015. You should see a note about your own capital credit allocation on your May electric bill. The amount of member equity created in 2015, which was \$573,959, is the amount of money collected through member electric bills that exceeded the cost to run the Cooperative during 2015. In most businesses that would be considered a profit and it would be distributed to shareholders. Remember shareholders of a for profit company are not the customers. However, in cooperatives, our members are also our owners. Therefore, we do not distribute our margin to a distant set of shareholders, we retain it as member equity in the Cooperative. Member equity in the Cooperative is essential to maintain good financial health. For example, if we did not have sufficient member equity in the Cooperative, then banks would not loan us money to invest in things like substations, poles, and wires.

Member equity is returned to members approximately 25 years after it is allocated through a process of equity rotation. This past year we returned approximately \$466,000 in member equity to those members who received capital credit allocation for 1989. The process of developing and rotating member equity in the Cooperative is an essential function of every cooperative. Thank you for being a member-owned and not just a customer.

Another aspect of your Cooperative’s financials is the outside accounting firm that conducts a comprehensive audit of DCEC financial practices and internal controls. Fiore Fedeli Snyder Carothers, LLP out of State College, Pennsylvania, was hired and completed a very comprehensive audit of how DCEC processes payments, conducts business and records financial transactions from all departments. They also reviewed the strength of DCEC internal controls to ensure against the risk of fraud or inaccuracies in DCEC’s financial accounting practices. We are pleased to report to our members that the findings for 2015 have revealed that DCEC is in good, sound financial standing with no deficiencies identified in internal control practices.

Additionally, each year DCEC is required by its financial lenders to complete and report on its financial status on a “form 7”. If interested you can find a copy of this form on our website, listed under “About Us”, “Financials – Form 7”. If you have any questions please contact the office for more information at (607) 746-2341.

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OUTAGES: 607-746-9283

Power Systems & Distribution

As an electric distribution system cooperative, DCEC gains access to low cost hydro power generated by NYPA for distribution to its members from the area transmission owner's (NYSEG's) available (transmission, subtransmission or distribution) depending upon the location of the DCEC purchase location. "Transmission Service" is provided under an "open access" tariff administered by the New York Independent System Operator ("NYISO"). It applies to all electric utilities in New York, including the Cooperatives and Municipal systems.

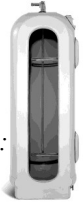
Access to New York's transmission or subtransmission circuits generally allows for greater reliability of service to DCEC as most of these circuits are configured to operate with a contingency or back up arrangement subsequent to appropriate switching activities. This contingency feature generally reduces the duration of power supplier interruptions experienced by DCEC and provides a measure of redundancy to the source of supply.

Contingency service for DCEC's Delhi and Dryden Brook substations and the Cat Hollow purchase point has been limited in recent months due to an equipment failure of a key device at NYSEG's Delhi substation. NYSEG has ordered a replacement for this device, however, the lead time is long and NYSEG has advised DCEC that it will be several more months before the contingency capability is restored. Loss of this contingency capability affected DCEC members served from these substations and purchase point during the cold snap of February 13 and 14, 2016, resulting in a delayed return to normal operation until field repairs could be made.

Locations where contingency circuits are not available to DCEC substations or purchase points, such as DCEC's Jefferson substation generally are at risk for longer duration interruptions at the time when NYSEG's system has experienced a failure. This was the case during the February 15, 2016 wind storm. NYSEG's circuit to DCEC's Jefferson substation operates as a radial distribution system which does not have an available contingency capability. Lack of a contingency prolonged the return to normal service until NYSEG was able to repair its distribution system in the Stamford/Jefferson area.



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DCEC urges you to contact Dig Safely New York by simply dialing 811 or 1-800-962-7962 before starting any digging project. Customer Service Representatives (CSRs) are available 24/7, 365 days a year. Dig Safely New York's location request services are free. You can also visit, DigSafelyNewYork.com for more information.

Additionally, you may want to contact the DCEC office if you are unsure if you have an underground service. Please be safe while completing your outdoor projects. Remember there is no project too large or too small for Dig Safely New York.


Please remember before you dig for any reason to call Dig Safely New York.

Are You Interested in Being on DCEC's Fixed Budget

Members interested in being on DCEC's fixed budget plan need to contact the office by the end of June in order to be enrolled. Members can also elect to be on a variable budget plan, which you can sign up for at any time throughout the year as long as you have 12 consecutive months of usage. For more information on the budget plans please contact the DCEC office.

Members Decide on Donation

At the Annual Meeting on Friday, September 23, 2016, DCEC will be teaming up with CoBank, one of our financial services partners to give three donations to three, 501(c)(3) charitable organizations to be selected by the members. 1st prize award will be \$1,000, 2nd prize is \$600 and lastly 3rd prize will be \$400. Nominations for charities should be sent by co-op members to Alicia Wyckoff by June 16th at alicia.wyckoff@dce.coop or by regular mail to the office of the Cooperative. To be nominated to receive a donation, a charity must be a 501 (c)(3) organization and have a significant presence within



501(c)(3)

Public Charity

the DCEC service territory. Nominated charities will appear in the special edition of the Catskill Hi-Line, which you will receive with your August bill. Members will vote on the "winning" charities at the Annual Meeting. Many thanks to CoBank for their matching grants.

Will the Cooperative Ever be Debt Free?

Most of us strive to achieve true financial freedom and eliminate our debt prior to retirement. The Cooperative is different. Unlike individuals, the Cooperative will never retire. Because the Cooperative will continue to serve its members for many years, the priority of financial strategies are completely different.

Instead of striving to be debt free someday, the Cooperative strives to have the “just the right amount” of debt relative to the assets the Cooperative owns. Conventional wisdom says that roughly 60% of Cooperative’s assets should be matched by long term debt and the remaining 40% should be matched with member equity. Member equity is just like the equity you have in your car or your home. As you pay down your car loan or home mortgage, you own a higher percentage of your car or your home. Member equity in the Cooperative is currently at approximately 32 ¾ % and the DCEC Board of Directors is striving for 35% member equity by the year 2020.

Each time the Cooperative invests in assets that will serve the Cooperative for years to come, we make a “down-payment” of about 40% cash provided by our current

members and we borrow the remaining 60% from the bank. Then we pay back the bank a little each year throughout the life of the asset. For example, if the Cooperative were to buy a \$100,000 transformer that would be expected to last at least 30 years, we would pay \$40,000 in cash as a down payment. We would borrow the remaining \$60,000 from the bank and pay it back over 30 years. In this way, future members of the Cooperative pay their fair share of the cost of that transformer over the life of the transformer. If we paid cash for the whole transformer, then today’s Co-op members would need to come up with the whole \$100,000 right now even though that transformer will benefit future Co-op members for decades to come. That would not be fair to today’s Co-op members because it would drive today’s electricity rates very high in order to generate the required cash.

The Cooperative is constantly investing in its future by rebuilding and replacing worn out lines and equipment. In fact, each year the Cooperative invests about \$1 million in infrastructure. Over time the Cooperative will continue to borrow “just the right amount” of money to make appropriate investments in our future and manage member equity.

LaFever Selected as DCEC’s 2016 Legislative Youth Delegate

Annually, the Delaware County Electric Cooperative (DCEC), sponsors a “Legislative Youth Tour” providing a selected youth-delegate the opportunity to travel to Washington D.C. to meet with our nation’s political leaders and learn about our Nation’s legislative process. This year the tour was from Sunday, May 1, 2016 to Wednesday, May 4, 2016.

DCEC has selected Cullen LaFever from Delaware Academy as their 2016 Student Youth Delegate. As a Youth Delegate for the National Rural Electric Cooperative Association (NRECA) Legislative Conference, Cullen accompanied DCEC officials to Washington D.C. He was also joined by representatives from 900 other rural electric co-ops in meetings with Congressional leaders on Capitol Hill.

Cullen is actively involved with the community and is currently working on his Life rank within the local Troop 33 Boy Scouts. His selection was based heavily on his dedication to the community, recommendations from teachers and advisors, academics, and extra circular activities.

If you are interested in the Youth Delegate opportunity and would like more information about the application process please contact the DCEC office at (607) 746-2341 or visit our website for more information.

Dealing with Outages When You Are Away from Your Home

The Cooperative makes every effort to limit the number and duration of unplanned outages. If there is a “normal” cause for an unplanned outage such as a tree on the line (most common) or an equipment failure, power can typically be restored in 2 or 3 hours. However, as we experienced this winter, some unplanned outages can last for many hours, which can lead to frozen pipes in the winter or a freezer full of spoiled food in the summer. This is particularly troublesome for members who do not live full-time in their Cooperative-served home. If a member doesn’t learn about an extended outage for weeks or months after the event, the damage can be compounded.

What can you do to find out about outages when you are away from home?

- 1) Friend the Delaware County Electric Cooperative on Facebook so you get a Facebook notification any time there is an extended outage.
- 2) Make sure the Cooperative has your contact information accurately recorded in our computer system. Late in 2016, the Cooperative will be implementing systems to contact members by phone, e-mail, or text message in the event of planned or extended outages affecting their home. By providing accurate contact information you can minimize the risk of damage to your home and its contents during outages.

Delaware County Broadband Initiative (DCBI) Project...Continued from Page 1

On April 4th, The Delaware County Broadband Initiative (DCBI) team executed the grant disbursement agreement with the Empire State Development (ESD) Broadband office. In March, MTC Cable, a subsidiary of the Margaretville Telephone Company, was approved for a required franchise agreement in the towns of Harpersfield and Jefferson. MTC will be starting their DCBI construction soon in the area of Beech Hill Road in the town of Andes.

As part of the DCBI, DTC Cable, a subsidiary of the Delhi Telephone Company, has started their construction of a portion of Phase I. With the help of Syracuse Utilities fiber optic cables are being run on portions of Crowe Road, Roberts Road, County Highway 33, McArthur Hill Road, Dancing Street, Kiff Brook Road, John Rice Road and neighboring roads within the town of Kortright. Upon completion of this project, DTC will be able to provide members with reliable and high speed services, include voice, Internet (data), and video (TV) service to their home or business. Products offered will be offered individually or as part of a bundled packaged, which can also include long distance, giving members choices in their service options.

As construction gets underway for DCBI Phase I, the team continues to be actively engaged in exploring new funding opportunities for broadband expansion as presented in the Governor's 2016 New NY Broadband Initiative. For the first round of funding available under the program, the NYS Broadband Office has determined the specific addresses which are eligible for matching grant funds. Unfortunately, many un-served areas were not included in this round pending a final determination of the build-out requirements for the state's two largest service providers - Time Warner Cable and Verizon.

An application designated DCBI - Phase II was submitted in early April for all eligible service addresses which were located within the towns of Andes, Bovina, Middletown, and Hardenburgh. The outcome of the application in this highly competitive program is expected this summer.

It is anticipated that a second round of broadband funding will be forthcoming later this year. We are hopeful that many of the remaining un-served addresses within the County will become eligible for funding.

Regular updates and fiber distribution maps are available on the DCEC website at www.dce.coop or you can call the office with any questions you may have at (607) 746-2341.

Is Your Location Number in This Issue?

Your service location number begins with two letters and is located on your bill next to your account number. Keep your eyes peeled for the "hidden location number" in this newsletter! If you find the number, and it is your service location you will receive a DCEC fleece sweatshirt! **Good luck!**



DCEC Office Closing Reminder:

DCEC's office will be closed on **Monday, May 30, 2016 for Memorial Day.** DCEC staff asks our members to remember our fallen heroes who have served.



Operations Update

Pole Replacement & Line Reconstruction: Cooperative line crews will be working on County Route 16 Delhi and in Kortright/Harpersfield preparing for interconnection with NYSEG and service to Greene Lumber.

Right of Way Clearing: Clearing will start on County Route 33, Zych Road, and New York State 23 all in the town of Kortright. KW Reese a Cooperative tree clearing contractor is working in the Jefferson area on Veley Road, State Route 10, Tabor Woods Road, Whiting Hollow Road, Cape Horn Road, and Shew Hollow Road.

CATSKILL HI-LINE is a Publication of the **Delaware County Electric Cooperative, Inc.** and is published bi-monthly for the membership.

The information contained herein is designed to promote action and discussion among members. Statements published do not necessarily reflect the official position of the Cooperative. The information has been obtained from sources believed to be reliable, and the editor has exercised reasonable care to assure its accuracy.

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