

# The economic challenges of a rural service provider

**B**eing a rural service provider presents a unique set of challenges. And those challenges are reflected in our cost to provide service.

For example, it costs slightly more for Midwest Electric to build a mile of power line as it costs larger utilities like American Electric Power and Dayton Power & Light. But because of our rural location, we receive about 1/8 to 1/5 the amount of revenue per mile that they earn.

*Rick D. Gerdeman,  
Manager/CEO*

That higher cost, and lower return, is the main reason why the investor-owned utilities are not interested in serving our rural area.

It also means we have significantly less revenue to spread our costs over, which makes it difficult for us to be cost-competitive with city and suburban providers.

We also serve 1/6 to 1/4 the number of customers per mile of line. This means we extend service to serve fewer people, which gives us a noticeably lower return on that “mile of line” investment. Again, this reduced revenue impacts our costs.

Plus, our customers are primarily residential. In fact, about 77 percent of our revenue comes from residential customers; whereas AEP and DP&L get the bulk of their revenue from commercial and industrial customers. This means less revenue for us, when compared to our competitors.

But all of that doesn't deter us from our dedication to quality service. In fact, while we earn less, we invest more in our service. This again is due to the rural nature of our service area. It's also because we're customer-owned and our members demand and deserve quality service and reliability.

Midwest Electric invests an average of \$3,757 per residential customer; compared to \$2,556 for DP&L and \$2,466 for AEP.

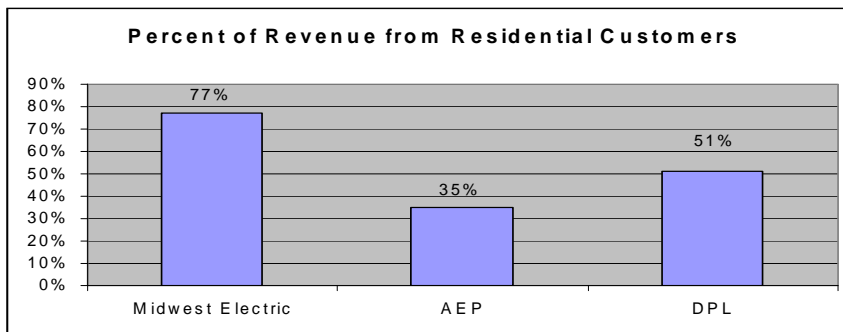
This column, and the charts on the next page, are not meant to give us “excuses” to fall back on. Rather, while we may not be the lowest cost provider, we work hard to be cost competitive despite our rural disadvantages and still provide the best level of service.

Corner ribbon on front cover:  
\$2,500 cash prizes at annual  
meeting! See page xx.

## Two more Touchstone Energy Homes



Neal Klosterman, of Klosterman Construction, built this home in Auglaize County for a client which features geothermal heating and cooling from Matt's Heating & Cooling, and spray foam and fiberglass insulation from Momper's Insulation. Heating and cooling costs for the 5,000 square foot home (with basement) are guaranteed to be \$79 per month.



### About the Charts:

The charts show that Midwest Electric is at a significant disadvantage in that we have a higher cost to serve due to the rural nature of our service area, yet we receive less revenue in return for our investment. This causes our costs to be higher. Other utilities have greater customer density, which means they receive more return per mile of line; and they have a much higher percentage of commercial and industrial customers, which increases their revenue per mile of line and which they also use to artificially subsidize their residential rates. *Source – Buckeye Power Fall 2009 Semi-Annual Statistical Report*



Patricia and Larry Selhorst own a Touchstone Energy Home built by Lucie Pohl and Creative Builders. The 4,400 square foot St. Henry home (including basement) features an air-source heat pump with electric backup by Franck's Plumbing & Heating, and spray foam insulation plus fiberglass batts from Momper's Insulation. It is guaranteed to cost \$104 per month for heating and cooling.

# Getting the most out of portable generators

With portable generators, the amount of electricity available becomes directly dependent on fuel readily at hand. For this reason, efficient use of portable generators can go a long way in keeping temporary power flowing during an outage.

The first step starts long before the power goes out: properly sizing the generator. The larger the generator, the more fuel it requires to operate. Call us for a free sizing brochure, or download a free copy from our website, [midwestrec.com](http://midwestrec.com).

To determine the size you'll need, make a list of the appliances you want to run in the event of an outage. Find both starting and running wattage requirements on appliance nameplates or in owner's manuals; then add them up to determine the total wattage. Although the starting wattage will last for only a few seconds, the generator must be able to meet it to run safely.

Fuel is another consideration. All generators operate by converting mechanical energy, produced by fuel combustion, to a DC current (or an alternating, or AC, current in some cases). Generators typically use one of four fuel types: gasoline, diesel, propane, or natural gas.

Gasoline remains the most common fuel source for residential portable generators. However, gasoline is highly flammable, has a short shelf life, and doesn't burn as efficiently as diesel. What's more, home generators for loads larger than 30 kW are essentially car engines. Diesel is a less expensive option for this size load.

Diesel is the least flammable source and generally can be obtained in an emergency. Diesel also has a longer shelf life than gasoline, although diesel engine noise can be louder, with the engines subject to smoke if not properly maintained.

A typical 20 kW diesel generator can run a large home. If that unit is fully loaded, it will burn about 1.6 gallons of diesel fuel per hour. If the generator is only loaded to one-quarter of its capacity [roughly 5 kW], it will typically burn about 0.6 gallons per hour.

Clean-burning natural gas can be supplied to a home through a larger distribution system, making it virtually limitless for supplemental generation. However, natural gas-burning generators deliver lower power outputs (Btu per unit) than gasoline engines,

have higher installation costs, require three times the fuel compared to diesel, and can be dangerous if natural gas lines are broken.



Dave Waltermire, Energy Advisor

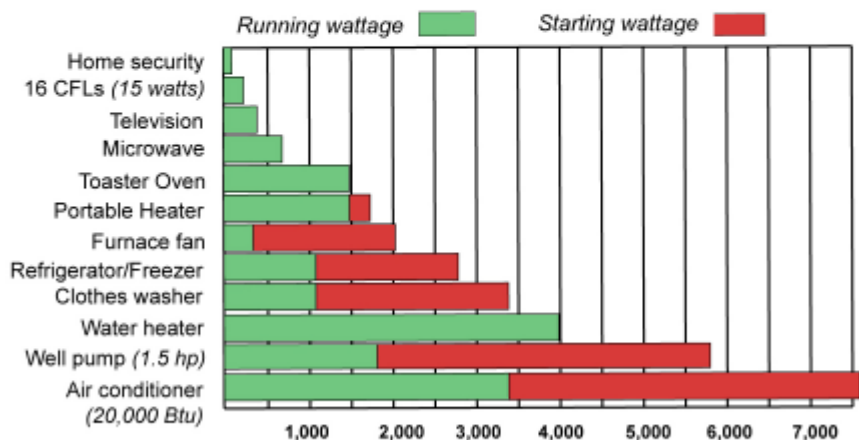
Most importantly, during natural disasters the gas lines are usually the first to be shut off for safety reasons. When that emergency occurs, you want to make sure your generator works—natural gas might not be flowing when you need it most.

Once you bring that perfect model home, invest in at least quarterly maintenance inspections by a qualified generator contractor.

## The Right Portable Generator for the Job

Before purchasing or operating a portable generator, make a list of the appliances you will need to run at the same time. Find both starting and running wattage requirements on appliance nameplates or in owner's manuals; add them up to determine the total wattage your generator should handle.

Sample running wattages, as compared to spiked starting wattages:



Sources:

North Carolina Association of Electric Cooperatives; National Rural Electric Cooperative Association

# Midwest members donate \$13,375 to area charities

Members of Midwest Electric, Inc., recently donated \$13,375 to 15 west-central Ohio charities and community projects through the cooperative's Community Connection Fund.

Since the program began in 1998, the Midwest Electric Community Connection Fund has provided \$592,657 to 413 area projects.

The recent Fund recipients include the following:

- Lima Samaritan House, \$2,200 to help make repairs to their homeless shelter.
- New Knoxville Washington Township Fire Department, \$1,300 to buy safety harnesses.
- Putnam County Council on Aging, \$1,075 to buy power tools needed by the chore services program to help build wheelchair ramps and make household repairs.
- Grand Lake Restoration Committee, \$1,000 to help fund the air-gator equipment to clean up the lake.
- Big Brothers Big Sisters of Mercer, Auglaize, Van Wert, \$1,000 to buy a television needed for training purposes.
- Western Ohio Educational Foundation (Wright State University - Lake Campus), \$1,000 for their Academic Excellence Scholarship program.
- Southwest Mercer Fire District, \$1,000 to upgrade lighting fixtures throughout their headquarters.
- OSU Extension, Wapakoneta, \$1,000 to buy an office computer.
- Lima / Allen County College Access Program, \$1,000 for a scholarship for a Midwest Electric member.



- SOURCES Community Network Services, Celina, \$1,000 for the emergency housing for homeless program.
- ARC of Allen County, \$500 to help provide financial assistance to needy families seeking childcare while they look for employment.
- Delphos Community Christmas, \$500 to help fund Christmas presents for needy children.
- St. Marys Public Library, \$300 to buy books on seeking employment.
- Franklin Township, \$250 to help buy supplies and giveaways for the upcoming Trail Day.
- Auglaize County 4-H Shooting Team, \$250 to buy ammunition.

The Midwest Electric Community Connection Fund is a voluntary charitable program. Participating members' monthly electric bills are rounded up to the next dollar, with the additional pennies deposited in the Fund.

A Board of Trustees, composed of cooperative members and separate from the Midwest Electric Board of Trustees, oversees the application and allocation process.

Individuals or organizations can obtain an application by contacting Midwest Electric, at 419-394-4110 or 1-800-962-3830.

## 73rd Annual Meeting

- \$2,500 in cash prizes
- Free breakfast buffet
- Kids games
- Electrical safety
- Q&A with co-op leaders
- Make your voice heard in the U.S. legislative process
- Learn election results (No voting at the meeting.)

*Saturday, June 5  
Shawnee High School  
3333 Zurmehly Rd., Lima  
Registration & breakfast  
8:15am  
Meeting 9:30am  
R.S. V.P. required*

**A ballot was mailed to you around mid-May. It must be completed, signed and received by our voting firm in St. Charles, IL, by 9 a.m., June 2. Or, vote at [www.midwestrec.com](http://www.midwestrec.com) by 9a.m., June 2.**