

# KIT CARSON ELECTRIC CO-OP DEBT FACTORS



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**Kit Carson Electric Cooperative, Inc.**  
A Touchstone Energy® Cooperative  
The power of human connections®  
ELECTRIC TELECOM INTERNET  
"Owned by those we serve!"

## FREQUENTLY ASKED QUESTIONS

### Why does Kit Carson Electric Incur debt?

- Kit Carson incurs debt to build electric infrastructure (i.e. poles, wire, transformers, meters, etc.) so members don't have to pay 100% of the cost for construction of new line to their homes or businesses. As the infrastructure needs to be replaced due to aging or storm related incidents at a member's location, KCEC does not charge the member the replacement costs. Kit Carson has inventory on hand for these types of incidents so the member does not have to pay the cost prior to replacing the equipment.

### What is debt used to pay for?

- Debt can only be used to pay for electric equipment such as poles, transformers, meters, primary and secondary wire, protective devices (fuse, breakers, circuit switchers, etc.), line switches and other electrical infrastructure. Debt cannot be used to pay for staff and employee salaries, vehicles, tools, offices supplies or furniture.

### Where does the Co-op get the money to construct its electric facilities?

- We borrow money from the Rural Utilities Service (RUS) (formerly REA) on long-term notes. RUS is our primary source for debt funding. The money is repaid to the RUS with interest and the system is used as security on these loans. CoBank and National Rural Utilities Cooperative Finance Corporation (CFC) are also sources of funding used by KCEC.

### What is the Debt Service Adjustment (DSA)?

- At the time that rates are set for an electric cooperative, an amount to recover the estimated debt costs is included in the cooperative's monthly base rates. Quarterly, the cooperative compares the amount of debt costs collected through its base rates and the actual debt costs incurred in its operations. The difference between the debt costs actually incurred by the utility and the amount recovered through its base rates is either refunded to or collected from customers the following quarter through the debt service adjustment.