

73rd Annual Meeting Recap:

Clark Electric Reports Positive, Yet Challenging Year

April is always a busy month at Clark Electric Cooperative, culminating with the annual meeting of the members. This year marked the 73rd annual meeting of the cooperative. This year's meeting was once again held at the Loyal American Legion Hall, with more than 300 members and guests in attendance. The following is an excerpt from CEO/General Manager Tim Stewart's report to the members.

Financial Report

The year ended December 2009 was a positive, yet challenging year. Clark Electric Cooperative continues to report solid financial performance. Total electric sales decreased 5.06 percent in 2009, while total revenue increased to over \$17.8 million. This increase in revenue is primarily due to the wholesale power cost adjustment. The wholesale power rate increased 12.12 percent over the 2008 level. This increase, coupled with decreasing kwh requirements, increased Cost of Power 7.04 percent to \$12.08 million. A continued aggressive cost-containment program helped to offset ever-increasing costs and resulted in a positive operating margin of \$893,674. The total cost of providing electric service LESS power cost increased slightly by \$40,102. However, the 2009 expenses actually decreased 1.4 percent from the 2007 level. This cost component is significant as this primarily measures the distribution cost component (local costs).

Net Utility Plant grew 2.24 percent over last year's level. The cooperative invested in excess of \$1,536,000 in new distribution plant last year. This represents new construction and replacement of electric lines.

Total Assets increased a net of \$1,278,561. Total Equity decreased slightly from 75.49 percent of total assets to 75.39 percent of total assets. Our equity position remains one of the strongest in the state and one of the strongest in the country. This stability of equity occurred while we experienced asset growth, capital infusion, and continued capital credit



Board President Wilmer Griepentrog addresses the membership during at the 73rd Annual Meeting.

retirements. Long-Term Debt increased \$332,258 as compared to last year. This, combined with continued amortization of debt service, resulted in a year-end debt to total asset ratio of 16.82 percent as compared to 16.48 percent in 2008. The cooperative will continue to rely on internally generated funds and short-term/long-term financing to fund operations in a manner that helps keep the price of electricity as low as possible while meeting our capital needs.

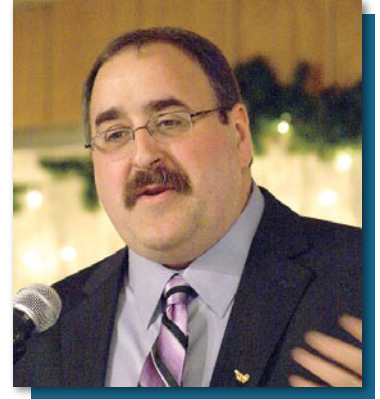
Stewart then reviewed the results of benchmarking analysis that we do annually, which compares Clark Electric Cooperative to state and national medians in the cooperative segment of the electric utility industry. He examined blended cost of capital, operating and maintenance expense per kwh sold, purchased power cost trends, how the average dollar collected was spent, total cost of providing electric service per kwh sold, and various revenue measurements such as revenue per kwh sold, and residential revenue per kwh sold as it relates to others in the industry. Overall, our costs are very comparable — lower in many cases — with other electric providers.

Manager's Report

Looking back, we can say that 2009 was an eventful year. Stewart reviewed a few of the significant events that occurred last year in terms of system reliability, capital credit retirements, subsidiary operations, future power supply costs, rate competitiveness, and mitigation strategies.

Reliability

In 2009, Clark Electric Cooperative once again experienced a System Average Interruption Duration Index (SAIDI) score that was well below the RUS threshold score. In fact, we experienced the second best performance in the previous eight years. Continuity of service and reliability is basically made up of three components: operations and maintenance programs, construction pro-



Tim Stewart, Clark Electric Cooperative's CEO/general manager, reports on the financial and operational activities of 2009.

grams, and a little bit of luck. While we can't control the weather, we can be proactive in how we approach operations. The cooperative has a very extensive maintenance program that covers a host of operations aspects. The major programs include pole testing/replacing, breaker maintenance, tree and brush control, and line inspections. By taking a proactive approach to maintenance, we strive to keep outages and interruptions to a minimum.

Capital Credit Retirements

One of the most tangible evidence of true ownership in your electric utility is the retirement of capital credits. Clark Electric Cooperative retired in excess of \$805,000 in 2009, bringing the total dividends retired to date to more than \$16,676,000. Not-for-profit operation, member-owned, and capital credit retirements make Clark Electric Cooperative a truly unique organization in the electric industry.

Subsidiary Operations

Clark Electric Appliance and Satellite, Inc. completed its 15th year as a subsidiary of Clark Electric Cooperative. We continue to be a leader in the HVAC, satellite TV, and high-speed satellite Internet marketplace by offering quality products and services to our customers. Even though many new competitors are entering the marketplace, we continue to experience growth in our electro-technologies solutions. Customers' demand for geothermal heating and cooling systems, storage heat systems, and mini-boiler systems remain positive as consumers strive to eliminate a dependency on fossil fuel heating. Homeowners are turning to safe, energy-efficient sources of electric heat, coupled with off-peak rates, to provide an economic solution to high heating costs. With the increasing costs of fossil fuel and the interest in the renewable aspect of ground source heat pumps, geothermal heating/cooling systems continue to show promise.



Members were encouraged to ask questions during the meeting. This member asked how cap and trade issues are being addressed and how this will impact Clark Electric Cooperative rates.

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Wildblue, a high-speed Internet access via satellite system, was first introduced to the mar-



Clarence Hoesly, Town of York, and Ronald Schmidt, Town of Brighton, were re-elected for their fifth term as directors on the Clark Electric Board at the cooperative's 73rd Annual Meeting held on Saturday, April 10, 2010.

ketplace in 2005. Since the initial offering, response has been good. In 2009, CEAS acquired the customer base of a neighboring cooperative's Wildblue subscribers. This acquisition was positive for both organizations and helped grow our subscriber base by 7.15 percent. Clark Electric Appliance and Satellite, Inc. remains one of the largest providers of the Wildblue platform in Wisconsin.

As stated in our annual report, appliance sales and repairs have experienced a negative trend for several years. Increasing competition, a slowing economy, and increasing costs will continue to put pressure on this particular product line.

Future Power Supply Costs

Dairyland Power Cooperative (DPC) is facing a period of tremendous challenges and upward cost pressures. There are several key areas that are having a significant impact on our wholesale power costs. Individually, each of these factors is significant, but collectively they present substantial challenges.

First, DPC is making major investments in environmental controls and renewable energy resources. DPC is in the midst of a \$400 million plan to meet new regulations. In addition, DPC is also aggressively expanding its renewable facilities. While renewable energy resources are positive additions relating to the environment, the energy from these projects often costs more than traditional fuels, causing immediate upward rate pressures.

Another significant challenge is the general tightening of coal markets with increases in prices for both the fuel and its shipping. In addition to increased costs rela-

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tive to barge freight shipping, there continues to be issues relative to captive rail shipping. Finally, scheduled major periodic maintenance outages at two large generators occurred in 2009, adding to total costs. These items taken together accounted for a 12 percent increase in wholesale prices. We are anticipating an increase in wholesale power costs of approximately 3 percent over the 2009 wholesale rate that Clark Electric Cooperative paid to provide your electric needs.

In addition to capital projects in generation, transmission, renewables, and environmental improvements, there will be new legislation that attempts to deal with climate change and carbon emissions. In June 2009, the Waxman-Markey bill passed the U.S. House of Representatives. Despite modifications made to the bill as it moved into the Senate, the bill is still not fair to Midwest consumers. We are pleased that seven of the eight U.S. Senators serving in Dairyland Power Cooperative's footprint, including both of the Wisconsin Senators, have signed a letter saying they need improvements in the allocation formula in order to support the bill. We need to make sure that we have affordable, reliable, and safe electricity provided in an environmentally responsible manner. Our position is straightforward; we support climate change legislation that is fair, affordable, and achievable. This discussion could have a dramatic effect on the cost of electricity, resulting in further increases in the monthly power bill of our members. Historically, prices increased at a slower rate than inflation. Going forward, this is probably not the case.

Rate Competitiveness

Stewart reviewed a number of slides that illustrate the rate competitiveness of Clark Electric Cooperative as compared to the other electric utilities in the cooperative market segment of the electric utility industry. Overall, Clark Electric Cooperative compares favorably to these other electric utilities.

In Conclusion

With fuel costs rising, transportation costs escalating, climate change around the corner, and increasing need for capital programs, it all seems pretty daunting. The question is, what can we do about cost? In addition to the legislative solutions, we continue to invest in our load management system. Our load management program

enhances reliability for all members during extraordinary times. Load management helps reduce costs for all cooperative members with additional savings for participating members. DPC and its members achieved a total savings of over \$10 million last year through this program.

The cooperative also offers Time of Use rates that may save you money IF you are able to shift your usage away from peak times. Stewart also showed that by doing a relatively small thing, you can save money. For example, by replacing two 100-watt light bulbs with two 23-watt CFLs, assuming these lights were on three hours per day, you would save approximately \$15.54 per year. The annual savings of 20 CFLs would be approximately \$154. Please consider changing to compact fluorescent bulbs.

Finally, Stewart reported on the cooperative's partnership with Focus on Energy. Effective January 1, 2009, Clark Electric Cooperative members now have access to all the electric programs that Focus on Energy provides. In addition, the cooperative is still offering additional efficiency incentives mainly targeted to our loan management program. Our members truly have the best of both programs. Focus on Energy and Clark Electric Cooperative websites offer great information on energy efficiency and energy-saving tips.

During our question-and-answer session, members wanted to know how to contact our legislators and how to get involved with the climate change debate. Those who want to send an e-mail can go to our website, www.ccecoop.com, and click on the Our Energy Our Future box towards the bottom of the page. Then click on contact legislators and put in your zip code. The contacts will appear as well as a letter. You can add your own comments in the body of the letter. Other ways to contact your legislators are as follows:

Senator Herb Kohl
330 Hart Senate Office Building
Washington, D.C. 20510
(202) 224-5653
kohl.senate.gov/contact.cfm

Senator Russ Feingold
506 Hart Senate Office Building
Washington, D.C. 20510
(202) 224-3841
feingold.senate.gov/contact_opinion.html

Congressman Dave Obey
2314 Rayburn House Office Building
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(202) 225-3365
forms.house.gov/obey/webforms/contact.htm

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