



Tim Stewart,
CEO/Manager

The Cost of Electricity

I was visiting with a member the other day when he asked me this question: “When will the price of electricity stop going up?” I told him that unfortunately, I don’t think that the price of electricity will stop increasing in the foreseeable future. I’ve written about the cost of electricity in the past and the various cost drivers that affect our cost and the ability to provide a stable distribution rate. I would like to note that Clark Electric Cooperative has not changed base electric rates since 2007. However, power costs have increased significantly, especially since 2006. As we are in the process of performing a cost-of-service study, I thought that it’s probably a good time to review this information again.

We purchase all of the electricity that we sell to our members from Dairyland Power Cooperative (DPC). Approximately 72 percent of the total cost of providing electric service to you is for wholesale power cost and is a major cost driver of your bill.

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. The main drivers of wholesale costs are environmental controls at our power plants, investments in renewable energy resources, and costs of fuels.

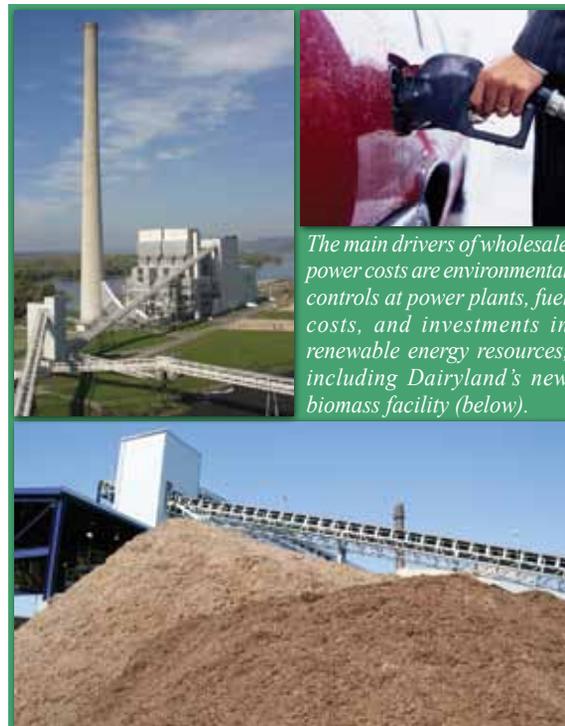
Dairyland Power Cooperative is making major investments in environmental controls and renewable energy resources. DPC is in the midst of a \$400 million plan to meet new state and federal environmental regulations. Government regulations that have been applied in recent years require that fewer pollutants be emitted from power plants. In order to meet the new requirements,

Dairyland has had to add very expensive equipment to its plants. This increases the cost of electricity.

Dairyland Power Cooperative has also aggressively expanded its renewable facilities. While renewable energy requirements vary in the states Dairyland serves, Dairyland’s board of directors has been aggressive in acquiring renewable resources, and our power provider is ahead of all current state mandates. Last year, in 2011, more than 11 percent of DPC’s Class A retail sales came from renewable energy resources. DPC is slightly ahead of current mandates and continues to expand its power supply with prudent investments in renewable energy resources. The largest renewable resource is a 40 MW facility using biomass as its fuel, which came online in the fall of 2010. This is a converted coal to biomass facility that uses wood waste to create energy. DPC’s other renewable energy resources include hydro, wind, landfill gas, and several manure digesters. These expansions of DPC’s renewable energy resources are positive additions relating to our environment and will help Dairyland meet future regulatory requirements. However, this also increases the overall cost to provide members with electricity, causing immediate upward rate pressures.

The cost of fuel to operate DPC’s power plants — mainly coal — and its transportation (rail and barge), accounts for Dairyland’s single largest annual expense. DPC plants used approximately 2.4 million tons of coal in 2011. Consider this for a moment: Think about what your individual fuel costs are, like the gasoline you use in your car, and then think about how they have gone up in the last 10 years. Did you know that back in 2002, gasoline cost a little over a dollar a gallon? Today, it is almost four times that. Applying this simple illustration to our industry, keep in mind that while coal prices have increased, so have the cost of shipping fuels as railroads have had to pay more for diesel

(Continued on page 29 ►)



The main drivers of wholesale power costs are environmental controls at power plants, fuel costs, and investments in renewable energy resources, including Dairyland’s new biomass facility (below).

Celebrate Cooperative Month with your local cooperatives

A FREE Pancake & Sausage Breakfast
Activities for kids of all ages



MEMBER APPRECIATION DAY

Saturday, September 29

7 a.m. to 11 a.m. at the CECO Building,
west of Greenwood on CTH G



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"Take Back" Initiative 7-11 a.m.

Bring your unused, controlled, non-controlled, and over-the counter medications in their original containers to be dropped off—free, with no questions asked.

Questions? Contact the Clark County Sheriff's Department at 1-800-743-2420.



Food Drive for Local Food Pantries

Help us demonstrate the 7th Cooperative Principle, Commitment to Community, by bringing a non-perishable, non-expired food item to be donated to your local food pantry.

Electronic Recycling Drive 7-11 a.m.

For more information, contact Clark Electric Cooperative at 800-272-6188.



Giant Inflatables Pumpkins Crafts



Greenwood Fire & EMS
will provide free blood pressure testing.



Memorial Medical Center
will be here to provide community health information.



Youth Leadership Congress Teaches Cooperation and Leadership Skills

Six Area Students Participate

This year six students from area high schools represented Clark Electric Cooperative's membership at the 49th Annual Youth Leadership Congress held at UW–River Falls July 11–13. Carla Byrne and Kaylin Ollech, Neillsville High School; Shae Horvat and Paige Lindner, Greenwood High School; and Cheyenne Redclay and Mary Olson from Granton High School were among the 127 youth and 19 chaperones who attended this year. The youth congress is designed to provide today's youth with stronger leadership and team-building skills, as well as a broader understanding of electric cooperatives.

The three-day event included interactive seminars and programs by nationally known speakers and presenters. Nationally acclaimed speaker Craig Hillier enlightened the students in his "Breakthrough Leadership" presentation about being leaders, stretching their creativity, and discovering the value of cooperation. Other sessions focused on alternative energy sources, careers in the electric

cooperative, and how and why cooperatives operate.

Here are a few of the comments we received from the students who represented Clark Electric Cooperative at this year's Youth Leadership Congress:

"By attending this conference, I have gained knowledge on cooperatives, leadership skills, and friendships."

"I especially liked learning about effective communications and the different careers in cooperatives. The speakers used audience participation and were interactive with the whole group."



These students represented Clark Electric Cooperative at the 2012 Youth Leadership Congress.

The delegates left the conference with valuable leadership skills they can use both in school and in their community activities. Each spring Clark Electric Cooperative contacts schools in our service area asking for students to represent the cooperative at the Youth Leadership Congress. This is a great opportunity for students entering 10th or 11th grade. Watch next spring for your chance to represent Clark Electric Cooperative at the Youth Leadership Congress. ■

MOMENTS IN TIME

A History of Clark Electric Cooperative

The following is H.M Bergemann's final general manager's report as delivered April 16, 1977, at the cooperative's annual meeting. Mr. Bergemann was the second general manager of Clark Electric Cooperative; his career spanned between 1938–1978.



Today I make my last report to you. I have advised the board of directors that I want to leave at the end of next January (1978). That may sound like a peculiar time to leave, but that will complete 40 years of service. Really it doesn't seem that long — but I guess it is because I have enjoyed the work and the fact that I was helping people who needed it. As a kid I knew what it was like to

carry a lantern, crawl up in the haymow in the dark and study by kerosene lamps.

It was on January 28, 1938, that I started working for you. The office was still in the old courthouse in Neillsville and a part of county agent Wallace Landry's office. We then came to Greenwood and located in what is now the Greenwood Bakery. The first part of our present office was built in 1948, and since that we have added the

1976–1981

March 26, 1976 – (Annual Meeting) Report of the capital credit committee is given. Motion is passed that the board investigate further into the payment of capital credits to the elderly.

May 1, 1976 – Special electric heat rates discontinued.

May 7, 1976 – A discussion is held in regard to receiving and giving assistance to other cooperatives in restoring electric service after severe outages. Manager is authorized to enter into an agreement for restoration of electric service with any of the electric cooperatives, for the benefit of our members as well as theirs. (This program evolved to a program now known as Restoration of Power in an Emergency [ROPE], which has been utilized many times).

September 7, 1976 – A discussion is held in regard to discontinuing free meter sockets. It is agreed that an administrative policy should state that the member will furnish the socket along with the service entrance. A revision of refunding of capital credits is discussed in detail. It is agreed that further thought should be given to refunding on the discount method to estates, on age and joint accounts.

December 6, 1976 – Administrative policy #8 is adopted wherein the capital credits paid to estates would be discounted to a current day value, with discount to start at 6% and be reviewed annually.

January 7, 1977 – H.M. Bergemann announces that he will retire as general manager on January 31, 1978. Richard Adler is appointed assistant general manager effective February 1, 1977. In the January issue of R.E.C. News, members are urged to shift usage away from peak periods (6-8 a.m. & p.m.)

February 8, 1977 – Board authorizes the sale of CFC Series E collateral trust bonds to members, employees and directors. In view of request by Governor Lucey that we lower our penalty rate, the following was adopted. In lieu of the 10% penalty: "The above rates are net, the gross rates being 3% higher with the minimum of 30 cents for any one account. In the event the current monthly bill is not paid on or before the due date the gross rates shall apply." Board approves contract with H.M. Bergemann to remain as a consultant for seven years following his retirement on January 31, 1978.

June 8, 1977 – Employment agreement is entered into with Richard Adler to be general manager effective February 1, 1978.

July 8, 1977 – Board authorizes the officers to enter into an agreement to loan the Wisconsin Electric Cooperative Association \$6,037 for 15 years without interest for the construction of a new headquarters building in Madison.

August 8, 1977 – Board approves borrowing \$1,800,000 from REA and CFC, the first loan since 1963. (With higher rates coming from Dairyland in the next few years, a loan is necessary to provide capital to replace and build new electric facilities rather than raise rates.)

September 6, 1977 – Dick Adler reports on visiting two cooperatives in Indiana using IBM System 32 computers. This is a study process to determine a new computer system for our office in the near future.

March 1978 – R.E.C. News reports 9,500 students in area schools view safety demonstrations put on by Clark Electric Cooperative employees. Re-instatement of electric heat rate is announced.

September 6, 1978 – Board authorizes the purchase of data processing equipment for use in the general office at a cost of \$67,496.

October 5, 1978 – Board approves a proposal to participate with the electric cooperatives in Wisconsin in an advertisement in the R.E.C. News offering \$1,000 reward for convictions of persons for destruction of property and \$250 reward for conviction of persons tampering with meters. The manager indicated we would be asked to contribute \$100 reward offer into a pool with the other cooperatives should there be a claim for the reward.

December 1978 – Rate increase of 3 mills to cover cost of purchased power announced in R.E.C. News.

one with the auditorium and just recently another warehouse.

When I set up the original books, all we had was an adding machine and a typewriter. Outside we had three $\frac{3}{4}$ ton trucks. There isn't need for going into more detail because you can easily see the tremendous changes that have taken place from that time up to today. When we first began operation we were referred to as the "white elephant" of Wisconsin because we had the most miles of line with the fewest hook-ups. Today that has all changed. We have a fine cooperative and can justly be proud of it.

While there have been many, many changes I guess we can say it was all done in the name of progress, but our aim or goal is still the same. In 1965 when I first became your manager, I said the following to you: "It is the ultimate



H.M. Bergeman at the April 16, 1977 Annual Meeting

aim of your electric cooperative to furnish you, as members, the best in electric service. We have grown a great deal over the years: Our members' use of electricity has increased tremendously. We have added many new homes and farms and even some industry to our lines. All this is progress and it is reflected in the lives of those we serve.

Throughout the rest of 1965, we hope to continue the same progressive advance we have enjoyed over the past years — yet, still making it our main purpose to provide you with the best possible service at the lowest possible cost."

That philosophy hasn't changed and I know it will continue when Richard Adler takes over as your new manager. Richard is well qualified and has contributed much to the progress of your cooperative. Without a doubt new leadership

1976–1981

January 5, 1979 – The cooperative will use the American Legion Post in Loyal to hold the 1979 Annual Meeting.

February 6, 1979 – Manager reports that he had met with Dave Larson, Taylor Electric Cooperative manager. Larson indicated he would be leaving in the near future and it might be a good time to look at the possibility of the two cooperatives merging into one. After discussion, a motion was passed to look further into the matter and have REA and CFC conduct a feasibility study, just so there is no cost to us for the study.

March 9, 1979 – Manager reports on Dairyland Association of Manager meeting and states the new Dairyland rate structure was approved by a vote of 21 to 7 so the recommendation will go to the Dairyland Board of Directors. Mr. Adler states he is opposed to the rate at this time because DPC will not have a system ready for two to three years yet to control our high demand periods.

May 3, 1979 – The manager reports that the financial condition of the cooperative has fallen during the first three months of 1979. After a lengthy discussion, the board approves an interim rate increase, effective July 1, 1979. The manager further recommends that an extensive rate study be made to determine if each class of consumer is paying its fair share under guidelines of current rate making commissions.

June 8, 1979 – Manager reports on bids for underground construction. Board approves the low bid in the amount of \$368,563. The manager presents the findings of preliminary studies conducted in regard to the possible merger of the cooperative with Taylor Electric Cooperative of Medford. After considerable discussion, a motion is passed to stop all further study because the present figures show little or no savings to Clark Electric Cooperative.

January 1980 – \$1.5 million mark in capital credit refunds announced in R.E.C. News

April 11, 1980 – (special meeting) – John Luehrsen, from Wisconsin Electric Cooperative Association, reviews our equity plan, present rates and revenue requirements for the next three years.

May 1980 – The manager presents the revised rate schedules as discussed at the April 11 meeting. The rate increase and restructuring is approved.

June 5, 1980 – Ten-inch rainfall causes extensive outages and flooding throughout the area.

September 5, 1980 – The manager reports that he has been obtaining information concerning organizing a cable TV cooperative. After discussion, it is agreed that Clark Electric Cooperative sponsor a countywide information meeting.

January 6, 1981 – The manager reports that Dairyland Power Cooperative has a program for pre-paying power bills and we could earn more interest than through banks. Prepayment is authorized.

February 9, 1981 – Manager Adler reports that the cable TV cooperative is proposed to be organized on February 25, 1981. The organizational meeting is to be held in our auditorium and memberships are to be \$5 each.

March 6, 1981 – Board authorizes \$500 donation to Heartland Communications Cooperative and offers temporary management and office assistance to serve their cause.

April 6, 1981 – Manager recommends the start of an annual pole testing program that would help identify weak and defective poles so they can be replaced. Board approves.

June 4, 1981 – Board approves a normal and emergency assistance agreement between Dairyland and Clark. Manager reports the 1981–1982 construction work plan is about complete and that another REA loan would be needed. Staff is currently working on the power requirements study and 10-year financial forecast.

October 1, 1981 – Manager Adler reports on the 9.5 miles of three-phase conversion needed in the Towns of Hixon and Hoard. He states he checked into process for outside contractors, but their prices were too high, more than double our labor rates. He recommends that we attempt to build the line ourselves but that we contract more of our tree trimming and cutting. Recommendation approved.

November 3, 1981 – Manager reports that specifications are being drawn for the new radio system. After a discussion it is moved and seconded to install a new antenna system in the amount of \$2,200.

with new ideas and plans will bring greater benefits to the members. The future of your cooperative with Dick at the helm looks very bright.

I hope too that you will continue to put men or women on the board with the same ability and dedication as you have in the past. In my 40 years I have seen the result of board action or inaction in some cases of other cooperatives, and believe me, your board has always been respected because of decisions they have made and the position they take at the various meetings we attend. I know of none of them who have ever come on the board because they wanted to benefit themselves or have taken such action after they were on. Their decisions have always been made with the intent that the majority of the members would benefit and the financial strength of the cooperative would not be impaired. Believe me, that isn't always the easiest thing to do. We should all be proud of them. I am.

I want to thank the members for their splendid cooperation, the board for direction and well-defined policy, and the employees who have done such a fine job. I have said it many times in the past and I will say it again, our membership, the directors, and the employees are the best. There is no electric cooperative that I would rather have worked for.

I am most thankful to you all and I hope to see and visit with you many more times.—*H.M Bergemann* ■

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Stay Away and Use Caution Around Downed Power Lines

Car accidents and storms are the main causes of downed power lines. If you encounter a broken utility pole or dangling power lines following a storm or accident, the most important thing to do is stay away!

It is impossible to look at a downed line and tell if it is energized or not — so always assume that any downed line you see is energized and report it immediately to the police and your local electric utility.

Remaining calm and acting with extreme caution can mean the difference between life and death when it comes to downed power lines. The following are some tips from the Electrical Safety Foundation to help you stay safe around downed lines:

- If you encounter a downed power line, move at least 10 feet away from the line and anything touching it. The human body is a ready conductor of electricity.



If your car should come into contact with a downed power line, stay in your car until help arrives.

- The proper way to move away from the line is to shuffle away with small steps, keeping your feet together and on the ground at all times. This will minimize the potential for a strong electric shock. Electricity wants to move from a high-voltage zone to a low-voltage zone—and it could do that through your body.
- If you see someone who is in direct or indirect contact with the downed line, do not touch the person. You could become the next victim. Call 911 instead.
- Do not attempt to move a downed power line or anything in contact with the line by using another object such as a broom or stick. Even non-conductive materials like wood or cloth, if slightly wet, can conduct electricity and then electrocute you.
- Do not drive over downed power lines. If you are in your car and it is in contact with the downed line, stay in your car. Tell others to stay away from your vehicle. If you must leave your car, jump out of the vehicle with both feet together and avoid contact with the car and the ground at the same time. This way you avoid being the path of electricity from the car to the earth. Shuffle away from the car.
- Water is a good conductor of electricity. Any amount of water—even a puddle—could be energized. Be careful not to touch water, or anything in contact with the water near where the downed power line is located. ■

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The Cost of Electricity

(Continued from page 4)

fuel for their trains, driving up costs. Fuels will continue to be one of DPC's largest expenses going forward.

Finally, I would like to give you a quick report on the Environment Protection Agency's Cross State Air Pollution Rule (CSAPR). As reported in our annual report, this rule was set to take effect January 1, 2012, and would have been extremely costly to DPC, but a federal court implemented a stay on the rule until the court could address various challenges. The following is information that I received from Dairyland Power Cooperative:

Court: Epa Overstepped Authority With Rule Regulating Airborne Interstate Emissions

A three-judge panel of the U.S. Appeals Court has released a 2-1 decision vacating the controversial Cross State Air Pollution Rule (CSAPR) and remanding it to the U.S. Environmental Protection Agency (EPA) for review.

The federal court found that EPA overstepped its authority in issuing the CSAPR rule, citing that under the Clean Air Act the EPA is not allowed to impose emissions reductions on upwind states beyond those reductions comprising each state's "significant contribution" to a downwind state's air pollution. In addition, EPA did not allow sufficient opportunity for individual states to develop their own emission reduction plans within the timeframe provided by the act.

EPA is expected to petition for rehearing of the case. If the court's decision stands, it will likely be another one to two years before EPA proposes a new rule to replace CSAPR.

Business as Usual at Dairyland

Our wholesale power supplier, Dairyland Power Cooperative, has reviewed the vacatur in terms of potential impacts to Dairyland and its 25 member cooperatives, including Clark Electric Cooperative.

"The court panel's judgment does not change our plans pursuant to environmental controls already in place and those that have yet to be installed," said Don Huff, Dairyland director, environmental impact. "From a budgeting perspective, we had anticipated that this vacatur could occur, and had therefore factored in those financial impacts."

For example, Dairyland has procured temporary ni-

trogen oxide (NOx) controls for use at its John P. Madgett (JPM) coal-fired power plant, but has not installed them due to the uncertainty about CSAPR. Anticipated savings from not installing and running the temporary controls have already been factored into the 2012 budget, and can now be considered as the 2013 budget is being prepared.

Notably, permanent NOx controls are scheduled to be installed at JPM in 2015; these are *in addition to* the existing low NOx burners already on the JPM boiler.

"Dairyland is in the midst of a \$400 million environmental control plan, which remains in sync with current and anticipated regulations," said Huff. "There is no doubt a new rule will be coming to replace CSAPR, and we will be ready for it through our ongoing environmental and operations planning."

CSAPR and the Federal Court's Action

CSAPR established emissions limits and a tradable allowance program for sulfur dioxide and nitrogen oxides in 27 states, mostly east of the Mississippi River. The rule was stayed by the U.S. Court of Appeals before it was to have gone into effect on Jan. 1, less than five months after the EPA announced its final version in August 2011.

A "good neighbor" provision in the Clean Air Act called for upwind states to limit emissions that cross state lines and impair the ability of downwind states to meet air quality standards. The appellate court ruled that by requiring upwind states to make more than their appropriate share of reductions, EPA exceeded its authority under the Clean Air Act. It also said that the EPA failed to give states the initial opportunity to make required emissions reductions within their own borders by instead issuing a federal implementation plan for all affected states, telling them where and how to make cuts.

For the time being, the Bush-era Clean Air Interstate Rule (CAIR) will be the law on interstate emissions. A federal court struck down that rule in 2008, but allowed its provisions to stand while EPA reworked the regulations. ■



Clark Electric Cooperative

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