

THE PERFECT STORM

Fuel Cost, Purchased Power Increasing 2006 Rates



*Tim Stewart
CEO / General Manager*

The past year has been a challenging year for all Americans, as skyrocketing energy prices have hit hard in pocketbooks and caused great concern about the economy.

As 2006 approaches, electric utilities throughout the nation are facing a number of issues that are resulting in one of the most significant chal-

lenges facing the energy industry in decades. Some are comparing the issues to a “perfect storm”—a combination of events cascading upon us, guaranteeing substantial cost increases and making our job of delivering reliable and affordable electric service more difficult.

Although Clark Electric Cooperative and our wholesale power supplier, Dairyland Power Cooperative, are diligently working to mitigate the impact of these cost-driving factors on your energy costs, Dairyland’s wholesale power cost, which accounts for approximately 66.36 percent of Clark Electric Cooperative’s operating budget, is facing unprecedented upward pressure, especially in the areas of fuel transportation and purchased power.

While Dairyland’s 2006 budget and wholesale rate are still being finalized as this goes to print, preliminary results indicate that Clark Electric Cooperative will be facing a sizable wholesale price adjustment in the coming year. The combination of several factors will cause an estimated increase of Dairyland’s 2006 average wholesale rate of more than 20 percent over the 2005 rate. Pending Dairyland board approval, a first step will be implemented with a temporary surcharge of up to 15 percent January 2006 through April 2006, followed by a wholesale rate increase on May 1, 2006.

We recognize that price adjustments are difficult for our members; however, as wholesale purchased power cost accounts for over 66 percent of total cost of providing electric service, Clark Electric Cooperative will need

to pass this adjustment on to our members through the wholesale power cost adjustment cost component of your retail electric bill. This amounts to approximately \$5 per 1,000 kwh per month and will begin with your January 2006 usage. Please be aware that this in addition to the power cost adjustment that is currently being recovered.

Finally, it should be noted that the price adjustments that are being discussed and implemented are due solely to increases in wholesale power supply and do not address any further increase in cost at the distribution level. The last distribution price adjustment occurred in November 2003. However, pressure on margins are mounting and Clark Electric Cooperative will need to review our current retail rate in the near future in order to continue to provide the service and reliability that is expected in today’s energy market.

What are the Cost-Driving Factors?

The most significant factor affecting Dairyland’s wholesale rate is an unexpected doubling of costs for rail transportation of coal to its power plants in Genoa and Alma, Wisconsin. This single factor is likely to yield an increase on the order of \$30 million in total delivered fuel costs for Dairyland in 2006. As a part-owner of Dairyland, our cooperative is greatly impacted.

Fuel to operate Dairyland’s generating facilities, primarily coal, accounts for our power supplier’s largest single expense. These costs are comprised of the fuel itself and the cost to deliver it. Dairyland’s power plants use about 3 million tons of coal each year. The coal is mined and shipped via rail and/or barge to Dairyland from mines in Wyoming, Utah, and southern Illinois.

Over the last couple years, the cost to ship coal by rail has been a growing problem for Dairyland and other utilities. Rail costs affect us because the vast majority of our electricity is generated using coal, and all of Dairyland’s coal is moved by rail to our plants or barge-loading facilities.

(Continued on page 28 ►)



The Clark Electric Cooperative Board of Directors has announced that Clark Electric has approved a \$572,652.81

capital credit retirement to be made this year. This marks the 43rd consecutive year that a capital

credit retirement has been made, totaling in excess of \$13,376,268 returned to the membership since inception.

As a rural electric cooperative member, you are part owner of Clark Electric Cooperative. Basically, you've pooled your money with thousands of other members and created equity for your rural electric cooperative to buy electricity and provide services at an affordable cost.

As a locally owned business, Clark Electric Cooperative is committed to the people, businesses, and communities we serve. Because we are member owned and operated, one of the fundamental principles we follow is a commitment to returning your investment. This is done in the form of capital credits. Since Clark Electric Cooperative operates on a not-for-profit basis, we return margins to members and former members through the capital credit allocation and retirement process. The amount returned is in relation to the individual member's transactions with the cooperative. Capital credits are returned to cooperative members on a rotating schedule. Currently, the cooperative is retiring 4 percent of our allocated capital and applying that amount against the oldest capital credits assigned to the members. This retirement will affect capital credits assigned in 1985 and 1986.

At Clark Electric Cooperative, we are working hard to earn the right to serve you, our customer and owner, and to provide the most responsive and cost-effective services available. ■

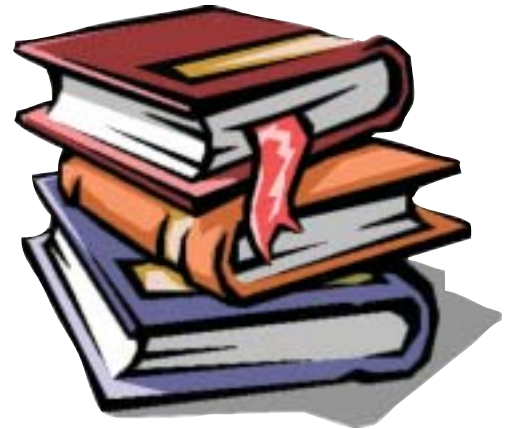
SCHOLARSHIPS AVAILABLE

\$750 Scholarship to Graduating Seniors

Are you a graduating senior or a graduating home-schooled student? Will you be going on to a post-secondary school? If you answer yes to any of these questions, you are eligible to be considered for a Clark Electric scholarship.

Scholarships are available to students who are enrolled in the local schools throughout our system. Scholarships will be available to students in the amount of \$750. The Clark Electric Cooperative scholarship program began in 1995, and since its inception we have provided more than \$75,000 in scholarships. Applications will be available in the school counselors' offices after the first of the year. If you are a home-schooled student who will be applying, please contact our office and ask for Tracy, the administrative assistant.

Clark Electric scholarships are funded by the unclaimed capital credits from former members. These unclaimed capital credits are held and the interest is used to provide educational opportunities for our younger



members. Electric cooperatives throughout the state also participate and give their young members scholarships to further enhance their education. Because of these available funds, we encourage all students in the participating schools to apply for this scholarship. If your school counselor does not have the forms, please contact our office immediately. You will also be able to find the application on our web site at www.cecoop.com.

We ask all parents and grandparents to encourage their graduating students to apply. This is another way that Clark Electric is showing concern for our community—by providing an educational opportunity for our youth.

Education is so important, and this scholarship is a great tool to help young students achieve the goal of continuing their education. ■

MORE LOCAL NEWS

A Growing Problem for Dairyland

(Continued from page 4)

Demand for railroad transportation of products and merchandise (not just coal) has exceeded the capacity of the nation's railroads. Unfortunately, with no excess capacity, the railroads have no incentive to compete for a shipper's business and have been setting the price of transportation at the highest rates. In addition, the railroads are also applying fuel surcharges on top of their increased base rates. Dairyland and many other utilities, as well as industries like paper producers and chemical companies, are being hit by the full impact of these huge increases in rail pricing. This is the key driver for Dairyland's increased rates.

We are supporting legislative initiatives to provide Dairyland and other "captive" rail shippers access to fair competition. However, the outlook for transportation relief is uncertain at best. We assure you that we are working with Dairyland, government officials, and others in the industry to help correct practices

that hurt our cooperative and increase your energy costs.

Another major factor affecting rates is a significant increase in purchased power costs, driven mainly by the high cost of natural gas and the emergence of new wholesale energy markets. Although the power plants, poles, and wires in our system were not directly hit by Hurricanes Katrina and Rita, we are still feeling the impact of these catastrophic storms. Both Hurricanes Katrina and Rita affected the supply of natural gas for the United States—and prices for that commodity nearly doubled.

Since Dairyland relies primarily on coal for baseload generation, along with a growing portfolio of renewable energy sources, the increased cost of natural gas has primarily impacted Dairyland when additional power is needed and purchased on the volatile open wholesale energy market. Buying and selling energy are a regular part of operations for Dairyland, especially when generating plants are limited in output or out of service for required maintenance. (Higher fuel costs and fuel availability have also

impacted operations at Dairyland's Elk Mound combustion turbine, a natural gas or oil-burning facility.)

Virtually all utilities are feeling the pinch of high fuel prices. Along with Dairyland, many utilities in our region and throughout the nation are preparing to raise their rates.

While Dairyland faces these financial obstacles in the coming year, it is essential that our wholesale power provider continues to maintain a strong financial position and invests in projects to meet our future energy needs. Plans underway include 30 percent ownership in the 500-mw Weston 4 generating facility near Wausau, Wisconsin, investment in new environmental controls at Dairyland's largest coal-fired facilities, and continued expansion of its renewable energy portfolio.

Our costs are rising and we recognize the negative impact this has on each of you, our members. However, let me assure you that Clark Electric Cooperative and Dairyland will continue to work hard to stabilize costs and provide our members with a reliable, competitively priced energy supply.

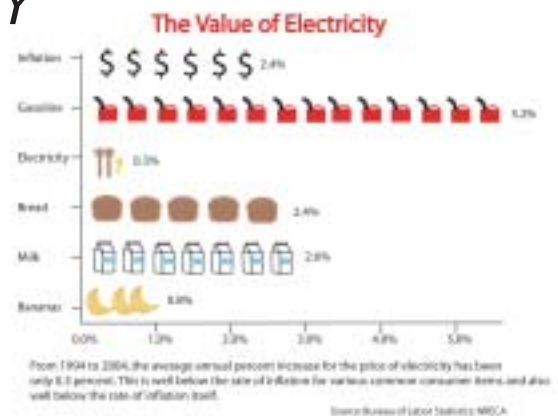
THE VALUE OF ELECTRICITY

In a day when it seems that a dollar buys less and less, the men and women working at your local electric cooperative are doing what they can to make sure you get the most out of every dollar you spend with them.

Co-ops have also managed to keep electric rates stable and competitive. Compared to other consumer goods, electricity remains a value. For example, according to the Bureau of Labor and Statistics, the cost of gas has

increased an average of 5.2 percent every year for the past 10 years; the cost of milk has increased on average about 2.6 percent every year for the past 10 years. However, the cost of electricity has increased just 0.3 percent every year over the past 10 years.

Your electric cooperative was created to serve the people it provides power to. Regardless of how much electricity you use, your local



electric cooperative will do everything it can to help you get the most out of your power dollar. ■

Happy Holidays

From Us At
Clark Electric Cooperative
and
Clark Electric Appliance & Satellite

Tim Stewart

Donna Abel

John Knox

Tracy Nelson

Bobbi Toburen

Amber Kelz

Cathy Langreck

Linda Mc Aley Pat Krause

Rita Sladich

Sarah Shaw Michelle Walde

Shannon Toufar Kyle Johnson

Stephanie Ligenza Amanda Hensiak

Dan Michler Ryan Nielsen Greg Shaw

Mike Ruff

Rick Suda Sandy Herrick Kevin Sterland

Ken Martini Bob Trunkel Frank Arch

Arnie Kappus Warren Luedtke Chad Steffen

Josh Burns Scott Bailen Dan Sturz Jeff Block Jim Rust

Mike Hackel Pat Susa Gary French Matt Wiese Troy Bauer

"Buckwheat" Jolivette Jim Mertens Wilmer Peterson