

72nd Annual Meeting Highlights

April is always a busy month at Clark Electric Cooperative, culminating with the annual meeting of the members. This year marked the cooperative's 72nd annual meeting. This year's meeting was once again held at the Loyal American Legion Hall, with more than 350 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 2008 was a positive yet challenging year. Clark Electric Cooperative continues to report solid financial performance. Total electric sales increased 4.29 percent in 2008, driving total revenue to over \$17.2 million. This increase in revenue is primarily due to the increase in kwh sales and the price adjustment that occurred in November 2007. The wholesale power rate increased 1.51 percent over the 2007 level. This increase, coupled with an increase in kwh purchased, increased the cost of power 5.62 percent to \$11.29 million. A continued aggressive cost-containment program helped to offset ever-increasing costs and resulted in a positive operating margin of \$1.15 million. The total cost of providing electric service LESS power cost actually decreased 2.3 percent from the 2007 level. This cost component is significant as it primarily measures the distribution cost component (local costs).

Total utility plant grew 4.95 percent over last year's level. The cooperative invested in excess of \$1,596,000 in new distribution plant last year. This represents new construction and replacement of electric lines. Total assets increased a net of \$867,697. Total equity increased from 74.63 percent of total assets to 75.49 percent of total assets. Our equity position remains one of the strongest in the state and one of the strongest in the nation. This slight increase in equity occurred while we experienced asset growth and continued capital credit retirements. Long-term debt decreased \$233,160 as compared to last year. The continued amortization of debt service resulted with a year-end debt to total asset ratio of 16.48 percent as compared to 17.59 percent in 2007. 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 elec-



Tim Stewart, Clark Electric's CEO/general manager, addresses the membership at this year's annual meeting.

tricity as low as possible while meeting our capital needs.

I then reviewed the results of benchmarking analysis that we do annually that compares Clark Electric Cooperative to state and national medians in the cooperative segment of the electric utility industry. I 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 others electric providers.

Manager's Report

Looking back, we can say that 2008 was another positive and eventful year. I would like to review a few of the significant events that occurred last year, specifically in terms of system reliability, capital credit retirements, subsidiary operations, future power supply costs, rate competitiveness, and mitigation strategies.

Reliability

I am glad to report that in 2008, Clark Electric Cooperative once again experienced a System Average Interruption Duration Index (SAIDI) score that was well below the RUS threshold score. Continuity of service and reliability is basically made up of three components: operations and maintenance programs, construction programs, 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 through the retirement of capital credits. I am pleased to report that Clark Electric Cooperative retired in excess of \$775,000 in 2008, bringing the total dividends retired to date to over \$15,870,000. Not-for-profit operation 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 14th 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. 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 fuels, the interest in the renewable aspect of ground source heat pumps, and the associated tax incentives of geothermal systems, 2009 shows promise for future growth in the heating area.

Wildblue, (a high-speed Internet access via satellite system) was first introduced to the marketplace in 2005.

Since the initial offering, response has been strong. 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 \$350 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.

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Board President Wilmer Greipentrog addresses the membership during the annual meeting.

Director Elections

Three directors were up for re-election this year: Charles Bena, Township of Mead; Anthony Jarocki, Township of Hixon; and Howard Schultz, Township of Weston.

Cooperative attorney Niles Berman, from Wheeler, Van Sickle & Anderson, S.C. read the qualifications for serving as a director of the cooperative and the responsibilities a director has to the cooperative.

All three directors ran unopposed for their positions on the board. The directors will now serve another three-year term. ■

Three Directors Re-elected



Charles Bena
Town of Mead

Anthony Jarocki
Town of Hixon

Howard Schultz
Town of Weston

Transmission and Environmental Improvements Among Many Topics at Annual Meeting

(Continued from page 5)

Another significant challenge is the general tightening of coal markets, with increases in prices for both the fuel and its shipping, coinciding with larger global demand for U.S. coal exports. In addition to increased costs relative to barge freight shipping, there continues to be issues relative to captive rail shipping. In addition, scheduled major periodic maintenance outages at two large generators in 2009 will also put upward pressure on costs. With these items taken together, we are anticipating an increase in wholesale power costs of approximately 10 percent over the 2008 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. This discussion could have a dramatic effect on the cost of electricity,

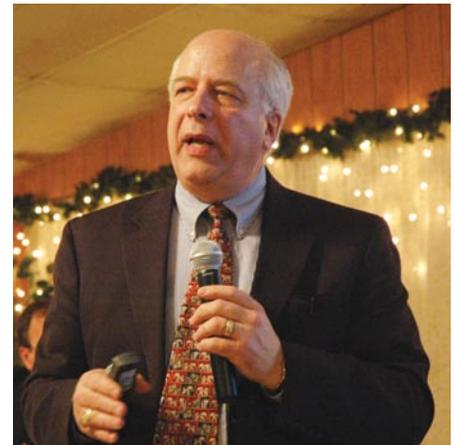
resulting in further increases on the monthly power bill of our members. Historically, prices have increased at a slower rate than inflation. Going forward, this is probably not the case.

Rate Competitiveness

I reviewed a number of slides that illustrate the rate competitiveness of Clark Electric Cooperative compared to the other electric cooperatives in the state of Wisconsin as well as an investor-owned utility (IOU). 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



Robert Mueller, vice president of finances & administration for Dairyland Power Cooperative, informs the membership about future energy costs and the driving forces behind these costs.

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.

Clark Electric Cooperative will initiate a new load management program in 2008 that targets summer seasonal demand reduction through

10 Reasons Why You Should Own a Marathon Electric Water Heater

Plus a Few Other Good Reasons

Purchasing a Marathon Electric Water Heater is great, for even more reasons than the 10 listed at right. Marathon Electric Water Heaters have been an industry leader since they became available to the public.

One of the best reasons to install a Marathon is the amount of energy dollars you will save in heating your water. Electric water heaters are highly efficient; just look how they're made.

You save even more when you purchase a high-efficient electric water heater from the cooperative and put it on the load management program. You could be eligible for a \$4/month credit on your electric bill. And with today's incentives offered by Clark Electric, you could save another \$250 with an 80-gallon water heater purchase.

Clark Electric Appliance & Satellite, Inc. has been selling and installing the Marathon Electric Water Heaters many years.

Installing a Marathon Electric Water Heater in your home is a great way to be more energy efficient. ■



central air conditioning. The program will provide an incentive of \$8 per month for the months of June, July, and August to allow cycling of your air-conditioning unit. In addition, a one-time \$25 payment will also be provided this year. Some restrictions apply, so contact our office for more details. The cooperative also offers time-of-use rates that may save you money.

The cooperative initiated a program entitled Do the Bright Thing to encourage use of compact fluorescent lights (CFL). Here is an example of how much you can save 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 from 20 CFLs would be approximately \$154. What that would mean to Dairyland Power Cooperative on a systemwide basis over the lifetime of the bulbs is that enough energy would be saved to power more than 1,200 homes for a year, save more than \$20 million in energy costs, reduce demand by almost 8 megawatts, and prevent greenhouse gases equivalent to the emissions of over 21,800 cars in one year. Please consider changing to compact fluorescent bulbs.

Finally, I would like to report on our 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. I would also add that the Focus on Energy and Clark Electric Cooperative website offer great information on energy efficiency and energy-saving tips. ■

DPC Survey

Your Help Would Be Appreciated

Clark Electric Cooperative, in conjunction with its power supplier, Dairyland Power Cooperative, is conducting a random mail survey to help us plan for your future energy needs. Please help us by taking the time to fully complete this questionnaire if you're chosen. It should take you about 10 minutes to do so.

Your response is very important. Please return your survey in the enclosed envelope by July 1. All of your answers will be held in the strictest confidence. No reports created from this survey will identify you or any individual customers.

We thank you for helping Dairyland Power Cooperative and Clark Electric plan for your future energy needs. If you have any questions or concerns that are not addressed in the survey, feel free to add them in the space provided at the end of the survey form. Please include your phone number or e-mail address if you would like us to contact you regarding these questions. If you have any questions about the survey, contact Raymond Sand, economist and forecasting specialist, Dairyland Power Cooperative. ■