



Tim Stewart
CEO/Manager

Clark Electric Cooperative 74th Annual Meeting Review

April is always a busy month at Clark Electric Cooperative, culminating with the annual meeting of the members. This year marked the 74th annual meeting of the cooperative. This year's meeting was once again held at the Loyal American Legion Hall, with more than 250 members and guests in attendance. Following is an excerpt from CEO/General Manager Tim Stewart's report to the members.

Financial Report

The year ended December 2010 was a positive yet challenging year. Clark Electric Cooperative continues to report solid financial performance. Total electric sales remained relatively flat, increasing only 0.09 percent in 2010 while total revenue increased to over \$18.3 million. This increase in revenue is primarily due to the wholesale power cost adjustment. The wholesale power rate increased 2.91 percent over the 2009 level. This increase, coupled with a slight increase in kwh requirements, increased Cost of Power 2.63 percent to \$12.4 million. A continued aggressive cost-containment program helped to offset ever-increasing cost and resulted in a positive operating margin of \$1,036,811. **The total cost of providing electric service LESS power cost increased slightly by 2.11 percent.** However, the 2010 expenses actually increased only 0.63 percent from the 2007 level. This cost component is significant as this primarily measures the distribution cost component (local costs).

Net Utility Plant grew 2.93 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 \$1,274,194. Total Equity increased slightly from 75.39 percent of total assets to 75.86 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 retirements. Long Term Debt increased \$305,634 as compared to last year. This, combined with continued amortization of debt service, resulted with a year-end debt

to total asset ratio of 17.06 percent as compared to 16.82 percent in 2009. 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.

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

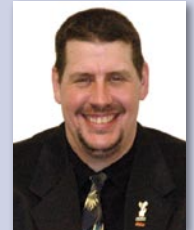
Looking back we can say that 2010 was an eventful year. I would like to review a few of the significant events that occurred last year, specifically in terms of system reliability, capital credit retirements, subsidiary operations, future power supply costs, rate competitiveness, and mitigation strategies.

Reliability: I am glad to report that in 2010, Clark Electric Cooperative once again experienced a System Average Interruption Duration Index (SAIDI) score that was below the RUS threshold score. However, in 2010, we experienced a number of extreme storms in the summer season that drove outages higher than in 2009. 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 as-

Directors Re-elected at Annual Meeting



Wilmer Griepentrog (Town of Sherman), left, was re-elected to his fifth term and Jeremy Baxter (Town of Holway), right, was re-elected to his third term at Clark Electric Cooperative's annual meeting.



pects. 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 \$854,300 in 2010, bringing the total dividends retired to date to over \$17,530,000. Not-for-profit operation, member ownership, 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 16th 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 we note that 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.

It is hard to believe that DirecTV is now in its 17th year. Many of you may recall that prior to the launch of DirecTV the majority of the rural area used rabbit ears and had to accept just our local channels. Today, it is rare to see a home in a rural area that does not have the little dish mounted to it. The memories of the excitement and enthusiasm of our customers as we brought to them access to affordable home entertainment is still vivid in our minds. We are proud to have been a part of "history in the making" when we helped bring satellite TV to our rural areas. Over the years DirecTV has added new programming packages, popular channels, high-definition programming, and DVR services to enhance your television viewing



Clark Receives WEC News Award of Excellence

Each year since 1966, the Wisconsin Electric Cooperative Association, publisher of the WEC News, has given awards to co-ops for excellence in various categories of presenting local-page news. This year Clark Electric Cooperative received the award for excellence in Reporting of Co-op Information. Beata Kalies of WECA presented the award to Tracy Nelson, administrative assistant, at the cooperative's annual meeting.

experience. As you may recall, our business relationship with DirecTV has undergone various changes throughout the years. Unfortunately, after being able to provide this service, DirecTV has elected to expire the Servicer Agreement that allowed Clark Electric Appliance and Satellite Inc. to service your DirecTV account. While we will miss servicing your DirecTV account, we're confident that our customers will continue to enjoy their DirecTV programming in this new environment and will receive excellent customer care from DirecTV. This transition will take place in the summer to fall timeframe. Those of you who receive DirecTV service will receive more information from us in the future.

Wildblue, (a high-speed Internet access via satellite system) was first introduced to the marketplace in 2005. Since the initial offering, response has been good. I am pleased to say that Wildblue has become one of our core products. We are excited that a new satellite will be launched this year that promises a dramatic increase in speed. The speed delivered will revitalize our Internet offering and should grow our subscriber base. We hope to be offering the higher speed in the fourth quarter of this year.

First Call, (Emergency Monitoring System) promotes independent living among our senior citizens and homebound customers. With 24-hour monitoring, family members have peace of mind that First Call provides. The total number of monitoring systems grew approximately 24.5 percent last year. We believe that this program will continue to be well

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The Touchstone Energy balloon was on-site outside the Loyal Legion at Clark Electric Cooperative's 74th Annual Meeting April 13.

Consider *Evergreen*[™]

Evergreen is a voluntary renewable energy (green power) program available to your home, farm, or business through Clark Electric Cooperative. The Evergreen program is for those who want to support renewable energy and are willing to help pay for the extra costs associated with its production.

In addition to your normal monthly electric bill, you volunteer to pay a small, additional charge each month to offset the additional cost it takes to support renewable energy generation.

By investing in Evergreen, you are investing in the future of the environment. The purchase of one 100 kilowatt hour (kwh) block of Evergreen renewable energy, for an additional \$1.50 per month on your electric bill, has many environmental benefits. To learn more about the Evergreen program, please contact Clark Electric Cooperative. ■

Your purchase of one 100 kwh block of Evergreen for one year is equal to:

- 2,449 lbs. of CO₂ avoided
- 2,400 miles not driven
- 1/3 acre of trees planted

YES! I want to participate in the Evergreen renewable energy program.

Please sign me up at the following level:

Number of blocks* of energy:	Amount added to my monthly energy bill:
<input type="checkbox"/> 1 block (100 kwh).....	\$1.50
<input type="checkbox"/> 2 blocks (200 kwh).....	\$3.00
<input type="checkbox"/> 3 blocks (300 kwh).....	\$4.50
<input type="checkbox"/> 4 blocks (400 kwh).....	\$6.00
<input type="checkbox"/> 5 blocks (500 kwh).....	\$7.50
<input type="checkbox"/> ____ blocks. (If more than 5 blocks at \$1.50 per block are desired, specify the number of blocks in the space provided.)	
<input type="checkbox"/> Please provide me with more information.	

* One block of 100 kwh represents about 10% of the average residential monthly electric usage (1,000 kwh).

Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Home Phone: _____

E-mail Address: _____

Account No.: _____

Signature: _____ Date: _____

I understand that this amount is in addition to my monthly energy bill.

Clark Electric and Clark Appliance & Satellite Hours

Monday – Friday
8 a.m. – 5 p.m.

BEFORE YOU DIG— Call Digger's Hotline



Clark Electric Cooperative reminds you to call Digger's Hotline, 811, before you begin any digging. Not only is it for your safety, but it is also the law.

A call to Digger's Hotline three days before you begin your project is free. If you damage a buried line without a call to Diggers Hotline, you will be financially responsible for the damage, as well as a fine of up to \$2,000. When you call Digger's Hotline, have the following information available:

- Your name, telephone number, and address.
- Specify if you are doing the work for yourself or for someone else.
- City, township, village, or unincorporated area you are planning to work in.
- Street address of your work site.
- Nearest intersecting road and the distance to that road.
- The kind of work you are doing, such as planting a tree or putting up a fence.
- Whether explosives, boring equipment, or equipment reaching 14 feet or more into the air will be used.
- Date you plan to begin your project.
- Area you would like marked for underground facilities.

Keep the ticket number you receive from Diggers Hotline as legal proof that you have called. After the utility markings have been placed and your start date and time have passed, you may begin your project. You can't excavate with power tools within 18 inches of the markings, but you can use hand tools with caution. **Private facilities, such as buried wires to a detached outbuilding or well, will not be marked.** ■

Annual Meeting Review

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received in the marketplace and presents a growth opportunity for the organization.

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. DPC is on track to meet the State's Renewable Portfolio Standard of 10 percent renewable energy by 2015 this year.

The cost of fuel to operate DPC's power plants — mainly coal — and its transportation (rail and barge), accounts for DPC's largest annual expense. The cost of both rail and barge transportation has risen sharply in the past five years. The costs increases are driven by rising diesel fuel costs as well as expenses incurred by rail and barge lines to replace older railroad and barge equipment. In addition to these increases at the generating facilities, DPC continues to invest in its transmission infrastructure.

Another significant challenge is environmental regulations and rulemakings. As you are aware, the climate change bill debated in congress for the past two years did not pass. However, the U.S. Environmental Protection Agency (EPA) has replaced the proposal with a variety of other regulations, including the Clean Air Transport Rule, Coal Ash Recycling, and Greenhouse Gas Rulemakings. All of these rules could result ultimately in higher costs on your electric bill. These items, taken together, account-

ed for a 4.5 percent increase in wholesale prices expected in 2011 over the 2010 wholesale rate that Clark Electric Cooperative pays to provide your electric needs.

Rate Competitiveness: I 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, additional environmental regulations and requirements, 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



Members listen to reports presented during the annual meeting.

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 more than \$9 million last year through this program. The cooperative also offers time-of-use rates that may save your money IF you are able to shift

your usage away from peak times.

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 load management program. Our members truly have the best of both programs. I would also add that the Focus on Energy and Clark Electric Cooperative websites offer great information on energy efficiency and energy-saving tips. ■



Clark Electric Cooperative

Your Touchstone Energy® Partner



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