

ELECTRICITY PRICES ARE RISING

But Electricity Is Still A Good Value



*Tim Stewart
CEO / General Manager*

Electricity. We use it every day, and in today's technological world, we could barely function without it. It seems that prices for just about everything these days are increasing. This month, I want to focus on the value of what electricity does for us in relation to the cost. When you stop and think about it, I can't think of one other item

that enhances our quality of life as much as electricity does. Electricity cools and heats our homes, cooks our meals, pumps and heats our water, powers our computers, provides lighting, cleans our clothes, and offers a host of other labor-saving applications. Talk about entertainment; electricity powers items such as TVs, VCRs, DVDs,

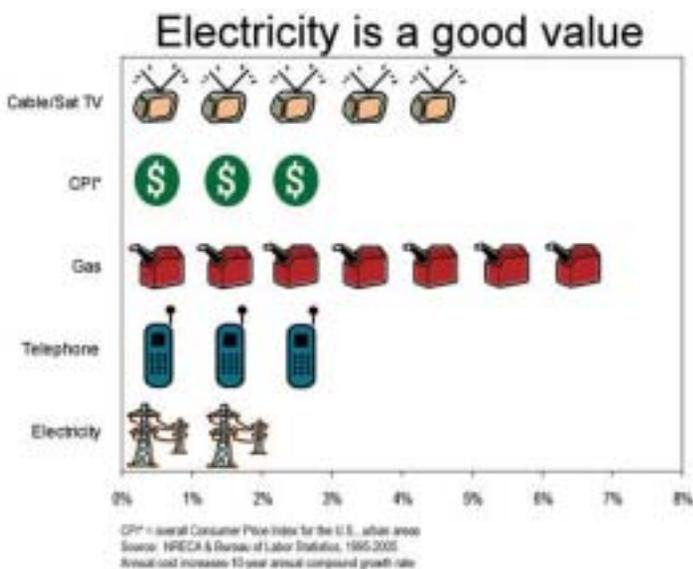
and the U.S. Bureau of Labor Statistics, the national cost of electricity today, when adjusted for inflation, is less than what it was in 1980. Very few commodities have remained such a good value. Consider the accompanying graph. Compared to other consumer products and services, the cost of electricity has fared quite well.

Even though we are entering an era of cost escalations and increasing demand for energy consumption, Clark Electric Cooperative is committed to providing safe and affordable electricity at the lowest possible cost

Wholesale Power Cost Impacts Prices

In 2006, the cost of purchased power comprised approximately 67 percent of the total cost of providing your electrical service. As reported in several of my newsletter articles and at this year's annual meeting, our wholesale power costs have been impacted by a number of factors, including coal transportation and supply, new generation requirements, and environmental regulations.

Last year, Clark Electric Cooperative's power supplier, Dairyland Power Cooperative, experienced an unprecedented doubling of rail transportation costs, higher coal prices, and purchased power costs. Dairyland continues to experience these upward cost pressures, as well as the challenge of meeting the growing energy needs amidst new legislative requirements. Rail transportation continues to be a significant factor in our cost structure, with additional increases expected.



stereos, shopping centers, restaurants, and casinos. When you stop and think about what all electricity does, I believe electricity provides great value for cost.

Did you know that through the years, the price of electricity has remained an outstanding value, especially compared to the rising prices of related commodities? According to National Rural Electric Cooperative Asso-

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Environmental Regulations: More than \$ 250 million has been included in Dairyland's budget for current and future emissions control. Construction has begun to install fabric filter "baghouses" at each generating plant to remove particulate matter from the exhaust gas stream following the coal combustion process. We expect these operating costs and capital expenditures to continue to put upward pressure on our purchased power expense well into the future.

Even though purchased power accounts for over 67 percent of our total cost of providing electric service, we have experienced increases in our internal costs as well. Our fixed costs — items such as depreciation, tax expense, and interest expense — have increased 21 percent since 2003. Operating and maintenance costs have increased 34 percent. It's interesting to see, for example, that ACSR conductor increased 111 percent in 2003. Another example: a 35-foot Class 5 pole increased 39 percent. These two examples illustrate some of the cost pressures we are experiencing.

At Clark Electric Cooperative, we work each and every day to keep electricity a great value, even as the cost of other commodities continue to increase. As always, we strive to keep rates as low as possible. Clark Electric Cooperative has not experienced an adjustment to our base rates since 2003. Your board of directors seeks to ensure that our members get the best value for their dollar — reliable, affordable, and environmentally sound electric energy. ■

Tim Stewart
CEO / General Manager

Electricity... A Real Value!!!



For the cost of one tank of gas,
electricity can keep your life
powered for two weeks.

A Clark Electric Cooperative member consuming 1,450 kWh's of electricity a month is powering his or her home for only \$4.91 a day. That's less than the average meal at your favorite fast food restaurant. Many factors contribute to higher energy costs, but your local electric cooperatives work to offer affordable, reliable service. Our goal is to keep your rates as low as possible, while delivering energy that you can count on to be good for all aspects of your life—including your budget.



**Clark Electric
Cooperative**

Have a safe & enjoyable 4th of July

ELECTRICAL SAFETY

Hotline Demonstrations Provide Electrical Safety Education

Education is the key to any success. Knowing how to be safe around electricity is essential for adults and kids. Director of Member Services John Knox and Journeyman Lineman Scott Bailen are shown here with Karen Simple, UW-Extension 4-H youth development leader. Clark Electric has been providing this important electrical safety education for several years to all county fourth-graders.

"It's fun, it's important, it's the right thing to do for our kids." said Director of Operations Mike Ruff. ■



Renewable Energy

Dairyland to Take the Lead in the Renewable-Energy Effort on our Behalf

In recent months we have had numerous questions from our members about renewable energy: What renewable-energy resources do we have in our local area? Does it make sense to develop them? What is the cost of renewable energy? What is Clark Electric doing about developing renewable-energy resources? Our focus this month is to address these questions as best we can for the benefit of all our members. This particular article will address renewable-energy resources as seen from a power-supplier perspective.

Renewable energy has been utilized in our country for decades. The renewable resource that is probably most familiar to all of you is water, or hydropower. Hydropower is the lowest-cost energy available in our entire nation. In this day and age, however, hydropower systems are extremely difficult, if not impossible, to site. There are, however, numerous other renewable-energy resources to harness and/or develop, such as wind, biomass, solar, and landfill gas.

As a member-owner of Dairyland Power Cooperative (DPC), our power supplier, we rely on Dairyland to take the lead in the renewable-energy effort on our behalf. In the September 2006 issue of the *Wisconsin Energy Cooperative News*, there was a very good article that provided comments from Dairyland's Neil Kennebeck about renewable-energy resources and renewable-energy projects that DPC is involved in. To go into a bit more detail than what was in that article, DPC's efforts in this arena include:



Wind

- DPC purchases about 18 mw of wind generation from 11 wind turbines on the G. McNeilus-Adams (Minnesota) wind "farm."

- DPC is looking at opportunities to expand its purchase by another 10 mw in the next year.
- DPC has a one-third interest in a wind farm in Chandler, Minnesota, providing an additional 2 mw of "green" electricity for members of distribution cooperatives.

**Note: Wind turbines are able to run approximately 35 percent of the time over an entire year.*

Biomass

- DPC has completed three animal-waste-to-energy projects (manure digesters).
- DPC's long-term goal is to create up to 25 mw of renewable electricity in its four-state service area via the digesters, thus powering approximately 20,000 homes.

Landfill Gas

- Nearly 10,000 homes in the Dairyland system are powered by three Landfill Gas to Energy (LGE) plants.
- DPC invests in two Waste Management-owned landfill operations:
 - The 4.8-mw Central Disposal LGE in Heartland Electric Cooperative's service area (Iowa).
 - The 3.2-mw Timberline Trail LGE facility near Bruce in the Jump River Electric Cooperative service area.
- DPC receives energy from the 3-mw Seven Mile Creek LGE facility in Eau Claire in the Eau Claire Energy Cooperative's service territory.
- DPC has plans to add another 3-mw LGE facility in late 2007.

CLARK ELECTRIC IN ACTION



Above: Apprentice Lineman Matt Wiese removes a transformer the "old way," by climbing and using a jib and a block and tackle. This job was part of the tie-line improvement.



Left: Members in JPM's Control Center watch how the operators "make power and get it to the member."



Below: Lineman Josh Burns in the bucket truck works on a new tie-line to improve reliability to our members.



Above: Clark Electric members listen to a Dairyland Power Cooperative employee talk about the facilities at the John P. Madget Power Station. Members also toured the DPC headquarters to learn how DPC helps Clark Electric in other ways than providing electricity.



Hydro

- 24-mw Flambeau Hydroelectric Station near Ladysmith.

From the projects listed above you can see that DPC, on behalf of all of its member distribution cooperatives, has been aggressive in the challenge of finding and providing renewable energy resources. This effort also complements Dairyland's challenge to reduce pollutants from its existing generation plants.

You may have read or heard about the different initiatives and mandates surrounding renewable-energy resources and the reduction of generation plant emissions. I can assure you that the electric distribution cooperatives in Wisconsin embrace these efforts, but with some great concern. Our ongoing challenge at the retail level is to provide electricity to our customers at the lowest possible cost while maintaining service reliability. Achieving the renewable energy and reduction of pollutants initiatives

and mandates are honorable goals, but extremely pricy ones. How quickly these goals become reality ultimately lies on the shoulders of the end user of this energy, you, the customer at the end of the line. That is where the dollars ultimately come from to pay for all of this.

Challenging times lay ahead for all of us. It will take a unified effort from all of us to make the greatest difference possible. ■



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