



Clinton County Connection

Your Touchstone Energy® Partner 

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Mike Johnson

Your 2012 Annual Membership Meeting

Wow, what a beautiful night we had for the 287 memberships that were represented at Clinton County Electric's 74th Annual Meeting. This month's article will give a recap of the Annual Meeting that was held at Breese Central High School on March 15, 2012. To those who attended the meeting, this might be a tad repetitive or redundant.

The evening started with Duane Grapperhaus entertaining members during the registration process. The crowd surely enjoys his musical abilities.

Cary Dickinson, Chairman of Clinton County Electric, informed the audience that just as in the past, each member in attendance would receive a \$10 bill credit on their April electric bill. Each member also received a Clinton County night-light/flashlight, and each person in attendance received a refrigerator magnet that looks like a phone advertising our outage phone number of (800)526-7282.

Mr. Dickinson informed everyone that 2011 was a good year financially for Clinton County Electric. The main reason for this success was the weather; it was a cold winter and a hot summer. Both of these conditions caused electric sales to be slightly higher than expected, which generated more margins than expected.

Mr. Dickinson spent most of his time discussing the logic and thought process that resulted in a rate increase to the membership and activities at SIPC (Southern Illinois Power Cooperative).

He stated that the board and management started to analyze the need for a rate increase during the summer of 2011 when it became apparent that Clinton County Electric's wholesale power supply costs would increase by an expected 2.0 million dollars. The board determined that in order to protect the long term financial condition of the cooperative, a rate increase was needed. The board approved a rate

increase of slightly more than 1.2 million dollars effective with January, 2012 usage. Two guiding principles were used in determining the rate increase: (1) fair, and (2) reasonable. He made a point in saying, "No one likes a rate increase and this was by no means an easy decision by the board, but it had to be done." President Johnson went into more detail later in the meeting.

The rest of Mr. Dickinson's speech focused on the past and future activities at Southern Illinois Power Cooperative; after all, SIPC accounts for over 65% of total revenues. He stated that SIPC continues to refine their fuel plan that was implemented a few years ago. This fuel plan continues to save fuel costs which are "passed on" to the distribution cooperatives, and are then "passed on" to the members of Clinton County Electric. SIPC is continually reviewing alternate sources of coal and carbon to ensure stable energy prices in the future. Performance wise, the power plants located in Marion, IL had a great year; they either met or exceeded their reliability and generation goals for the year. In July of the past year the plants broke the all-time generation record, producing over 194,000 mega-watts hours.

The remaining portion of Chairman Dickinson's speech concentrated on SIPC's largest project, Prairie State Generating Campus (PSGC). Ground was broken on October 1, 2007 for construction of two 800 MW generating turbines and a mining operation that will supply the generating units with all of its coal needs. SIPC owns slightly less than 8% of the campus. Paying for PSGC is one of the reasons behind SIPC's need for a rate increase. Unit #1 at PSGC is running slightly behind schedule and should be online by April 1st of this year, while unit #2 is running slightly ahead of schedule and should be operational sometime in May of 2012.

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The mining operation should be staffed by the end of April. Mr. Dickinson stated, "Here at Clinton County we want and desire to be transparent and forthcoming with our members, therefore, we need to address some issues that caused costs to escalate from original projections." He went on to say, "First construction was delayed due to lawsuits from environmental groups; during this time prices for concrete, steel, copper and labor all increased. And admittedly there were efficiency issues regarding construction management. But you also have to remember this was the largest construction project going on in America during this time and those kinds of things were somewhat expected." The final cost numbers for the generating units should be near 4 billion dollars and another billion for the mine and transmission assets. He asked the crowd, "Was this a wise investment?" to which he responded, "absolutely!" When both units are in operation, Prairie State Generating Station will provide reliable, reasonably priced energy for many years to come. SIPC recently engaged a consulting firm to study future generation needs. The study stated that with the addition of Prairie State Generating Station, SIPC should not have to add any base load generating assets until 2026 or later. That conclusion translates to stable energy prices in the future. Prairie State Generating Station will be the cleanest burning coal-fired plant in the country and is a far more affordable energy source versus other alternatives such as natural gas, wind, solar or other technologies. The fact that Prairie State Generating Station is the cleanest coal-

fired plant is the key. We all remember the potential cap & trade legislation that stalled in the senate last year and the horrible affect that would have had on Southern Illinois Power Cooperative. As of the first of the year we were set to be under the CSAPR regulations (Cross State Air Pollution Rules). Late in 2011 that piece of regulation was stayed and is currently under legal review. In its present form, that regulation will require SIPC to purchase NOX & SOX credits or install additional pollution control equipment even though the Marion plant is already equipped with the equipment to remove those pollutants.

These credits could cost Southern Illinois Power Cooperative up to \$6 million dollars per year, plus the investment in additional plant could cost tens of millions of dollars. Our hope is that the rule is thrown out or significantly modified. We all want to be environmental stewards and are committed to keeping our environment clean and safe for generations to come. We also believe these objectives should be weighed against the costs of compliance to minimize the financial impact on you, the end user of electricity. Like I said before when talking about rates, we just desire regulations to be fair and reasonable. We have discussed this with you for the past few years; seems like everyone is attacking the coal industry. There are multiple attacks by environmental groups, the Obama administration and congress and we don't see those attacks ever ending. That is why we invested in Prairie State Generating Campus. It will provide you with environmentally friendly energy for the next 30 to 40 years.

Mr. Dickinson went on to thank the Clinton County Electric Advisory Committee for their opinions and thoughts that were incorporated into the rate increase discussions.

Secretary-Treasurer Ron Becker took the podium next to explain details of the 2011 financial report. He stated Clinton County Electric had Operating Margins of approximately \$354,000. He went on to say, "This positive operating margin of \$354,000 means we really cut things close. It indicates, on average, that we only collected about 15 cents per day more than we needed from each of our services. Our operating margin of \$354,000 represents just 2.5% of our 2011 revenues of \$13.7 million, which is considered very good in comparison with other well-run cooperatives of our size." Mr. Becker described in detail where \$1 of revenue was spent, with 65 cents of it going to cover the purchase of power costs; by far the largest expense. Mr. Becker stated that Clinton County Electric returned \$200,000 in capital credit retirements during 2011. Clinton County Electric has proudly returned \$6,510,672 to the membership since its inception. The Board of Trustees feels that returning capital credits back to the membership is the "Cooperative Way" of doing business. Lastly, Mr. Becker discussed the extreme costs of environmental compliance at SIPC. He reported SIPC spent about 25.4 million dollars in 2011 on environmental compliance, or in other words, it computes to \$50 for every minute in 2011.

Next on stage was President/COO Mike Johnson. President Johnson proceeded to do a short recap of the two speeches ahead of him to make sure everyone understood some of the important issues that were already discussed. Mr. Johnson's speech focused on two items: (1) operational changes at Clinton County Electric, and (2) detailed discussion of the 2012 rate increase.

He first reminded everyone of the February 1st & 2nd Ice Storm of 2011. This storm was given the nickname of "The Groundhog Day Storm" nationally. About 25% of Clinton County's meters were out of power; basically everything to the east of Breese. That storm did

have a positive side; it alerted us to the fact that we had some phone issues that we weren't aware of. Many people that tried to call us couldn't get through. The member heard a recording stating, "All circuits are busy." We isolated the problem to overloading the local phone switch. That development led us to implementing a new call routine for reporting power outages. The membership was asked to call 800-526-7282 when they experience a power outage, no matter what time of day. These calls will be routed to the toll system which bypasses the local switch. Every person in attendance received a refrigerator magnet that looks like a phone informing them to use the 800 number.

Mr. Johnson then discussed the other operational change at Clinton County Electric; beginning with the first work day of 2012 the Cooperatives office hours were changed to 7:00am to 4:00pm. This was implemented in hopes of transacting more business with the membership. He also stated the membership can still pay bills and get account information after hours by calling 526-7282 and the after-hours personnel will be happy to assist you.

The balance of Mr. Johnson's speech was centered on the rate increase that took effect with January, 2012 usage. The expected wholesale power increase from SIPC was the only reason for increasing rates to the membership. As stated earlier, in order to protect the long term financial condition of the cooperative, the Board of Trustees approved an annual rate increase of 1.2 million dollars.

Mr. Johnson made the statement, "Is everyone getting the same percent increase? To which he answered, "NO". The member's increase will depend upon which rate they are served by and their energy consumption. Mr. Johnson talked about using the board of trustees' guidelines of being (1) fair, and (2) reasonable.

Next Mr. Johnson talked about the rate design changes implemented as a part of the rate increase. He firmly stated, "We need to recover fixed expenses through fixed charges (your monthly facility charge) and we need to recover variable expenses through

variable charges (the energy charge on your bill)." He further discussed the two main categories of expense that Clinton County Electric incurs; the main (variable) expense is the cost of wholesale power and the second (fixed) expense is the cost to get that power from our substations to members' homes and businesses. He stated Clinton County Electric would incur these expenses even if no one on the system used any electricity. He stated that even though the cooperative hasn't done a cost of service study in a few years, he has seen results from other cooperatives that the facility charge needs to be over \$40 per meter per month in order to be "fair". He continued to discuss the fair and reasonable way of pricing the facility charge and energy charges to be ready for the energy future.

President Johnson went on to explain the impact of the rate increase on various rate classifications with the assistance of slide show. He encouraged the membership to go to cooperative website at www.cceci.com and click on the button that looks like a calculator to find out how the rate increase impacts them.

Lastly, Mr. Johnson discussed the communication effort that was employed concerning the rate increase. He stated that the cooperative: (1) discussed it in the last 5 months of the ICL, (2) made it the main topic of conversation at last fall's Area Meetings, (3) mailed to each member a "Rate Increase Notification Letter", and (4) made this information available on the company's website. "Member Communications is a responsibility we take very seriously. As an owner of your cooperative you are entitled to be informed and we are committed to communicating that entitlement to you effectively and efficiently" stated Mr. Johnson. Please take the time and read your monthly publication provided to you.

He then asked the employees to stand up to be recognized by the membership.

The reports of the Chairman, Treasurer, and President were accepted by the membership.

Next, Treasurer Becker conducted the election process. He informed the membership that the Election & Credentials

Committee met on January 31, 2012 to certify the candidates for election. The candidates for election were John White from District 1, Vernon Mohesky from District 2, and Ronald Becker from District 3. Since there were no contested elections, the candidates were re-elected by acclamation.

Chairman Dickinson announced employee service awards were given to Brian Taylor for 15 years of service, Mike Faust for 10 years of service, and Bob Kroeger for 10 years of service.

No old business came before the meeting.

Cash prizes were awarded next with Emil Rensing winning \$100, Dorothy Sohn winning \$50, Francis Boeser winning \$50, and Mark Maedeker winning \$50.

The meeting concluded at 8:25 p.m.

To hear this type of information first hand, collect attendance prizes and to have the opportunity to win cash prizes, consider attending next year's annual meeting. As a member, you are an owner of this cooperative and deserve to be well informed about all of our activities.

This is not my normal President's letter, but I felt it was my obligation to inform those members who were unable to attend the Clinton County Electric 74th Annual Meeting.

Providing our members with affordable, reliable electricity while providing excellent service will continue to be our goal. As always, if you have any comments or suggestions, please don't hesitate to contact me at Johnson@cceci.com.



Remember, our new
office hours are
7:00 A.M. to 4:00 P.M.
Monday – Friday.

Mark your calendar



In observance of Memorial Day, the office will be CLOSED on
Monday, May 28th

In observance of Independence Day, the office will be CLOSED on
Wednesday, July 4th

Did you get your capital credit check?

If you were a member of Clinton County Electric in 1989, you probably received a Capital Credit check. This year's checks were distributed at Clinton County Electric's 74th Annual Meeting on March 15th. Those checks not picked up at the meeting were mailed on April 2, 2012. You should have yours by now. If you haven't received your check, please call the office or email us at billing@cceci.com.

Trustee Spotlight on Joe Voss

Joe Voss is a Trustee serving on the Clinton County Electric Cooperative Board of Trustees representing District No. 2. He and his wife Joan have five children. They operate a grain farm in the Carlyle area. Joe has earned the NRECA Credentialed Cooperative Director Certificate and will complete the necessary training for his Board Leadership Certificate this summer. He has served many years as an officer on the Clinton County Electric Cooperative Board and currently serves as our cooperative's representative on the board of Southern Illinois Power Cooperative,



our generation and transmission cooperative. His favorite past time is spending time with his grandchildren.