Clinton County Connection

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Mike Johnson

Your 2014 Annual Membership Meeting

On the first day of spring, March 20, 2014, Clinton County Electric Cooperative hosted its 76th Annual Meeting and celebrated 75 years of dedicated service to its membership. Two hundred seventy memberships registered at the meeting which was held at Central High School. This month's article will give a recap of the Annual Meeting, so for those who attended the meeting this might be a tad redundant.

The evening started with Duane Grapperhaus & Kelly Perez entertaining members during the registration process. The crowd surely enjoyed their musical abilities.

Cary Dickinson, Chairman of Clinton County Electric, opened the meeting by informing the audience each membership registered would receive a $10 bill credit on their April electric bill. They also received a green reusable bag containing a four pack of glassware commemorating the 75th Anniversary of the cooperative.

Mr. Dickinson started his portion of the evening with the question "who in the audience remembers the first time their family farm received electricity?" After seeing 10 to 12 hands go up in the audience, Mr. Dickinson went on to explain that at the end of March, Clinton County Electric will celebrate its 75th Anniversary. He proceeded to touch on some of the trials and tribulations of getting the cooperative established. Mr. Dickinson also spoke about how far the cooperative has come in 75 years and stated that he believes every decision that has been made at Clinton County Electric has been made "to enhance the quality of life for our members" and believes this to still be the goal today.

Mr. Dickinson reported, in 2013 Clinton County Electric experienced a small positive operating margin. We would have incurred a loss had we not implemented a small Power Cost Adjustment (PCA) effective in July of 2013. He acknowledged that in the fall of 2013 the Board of Trustees approved a slight rate increase for 2014 and informed everyone that President Johnson would go into more detail about this later in the meeting.

The balance of Mr. Dickinson's report focused on the past, present, and future activities of Southern Illinois Power Company (SIPC), the

performance of the Prairie States Generating Station (PSGS), and the Legislative/Environmental threats we may be faced with in the near future.

The single largest annual expense facing any distribution cooperative is the cost of its wholesale power. Mr. Dickinson went on to explain "the best way to control that cost is to participate in the decision making of the organization providing that power. During 2013, that's just what we did when the best interest of our members was again represented on the SIPC's Board of Directors by Trustees Voss, Becker, President Johnson and myself."

SIPC owns two coal-fired units and two natural gas combustion turbines located on the Lake of Egypt, just south of Marion, IL. It also has minority ownership position of slightly less than 8% in the coal-fired Prairie States Generation Station (PSGS). Mr. Dickinson continued with "over 57% of our energy was generated at the Marion stations and PSGS contributed to almost 24%. SIPC went to the market for 15%, and renewables made up the remaining 4%. SIPC generally goes to the market in peak conditions, when performing scheduled maintenance on our stations or in the event of an unscheduled outage." He stressed that over 80% of our energy comes from a fossil fuel source.

Next Mr. Dickinson spoke about 2013 being a year of transition and strategic planning for SIPC. In December of 2013, the Board hired Don Gulley as SIPC's CEO. Don is not new to southern Illinois as he was born and raised near Christopher, IL and graduated from SIU Carbondale.

The second major strategic transition made by SIPC's Board during 2013 was to divest SIPC's financial interests in two mining resources, Fidelity and Delta mines. SIPC had acquired ownership of two sites that contained carbon which can be blended with coal and used as a key fuel source in the Marion plant's coal-fired boilers.

The third strategic step implemented in 2013 was the SIPC's Board self-evaluation process. It helped the board identify its key strengths and outlined opportunities for the board to be even more effective.

Mr. Dickinson went on to explain these strategic efforts will positively impact SIPC's Board and management decisions and operations, and they will guide the cooperative so that it can continue to operate its fleet of generation and transmission assets in an efficient and reliable manor.

On the operational level, SIPC's generation has performed flawlessly during the severe cold spell that recently occurred in December and January. Even with the bitter cold weather, SIPC made sure the units were available when needed. SIPC hit new system peaks in January of 2014 and then again the first week of February, 2014, surpassing the old marks by more than 10%; setting a new all time high system peak of 568 megawatts.

Mr. Dickinson then listed several factors that were responsible for PSGS's performance throughout the year and noted that the Prairie States' Board is taking necessary steps to improve the situation. Over the second half of 2013, Prairie States' management brought in several subject matter experts to advise and assist in areas like boiler tuning and fuel preparation. During December 2013, performance showed good signs of improvement. PSGS has not met our expectations to date, at the same

time we are expecting and demanding greater results in the months and years to come. SIPC's management will continue to push for improvements from this significant investment.

Mr. Dickinson then turned his speech to one of the most critical issues facing SIPC and that is the Obama Administration's "War on Coal." The current Environmental Protection Agency (EPA), under the direction of President Obama, is hoping to bypass Congress and in January issued proposed rules which would virtually eliminate coal from our nation's energy strategy. Mr. Dickinson stressed this is not an issue for just SIPC. In fact, over 40% of the nation's electricity comes from coal-fired power plants and the elimination of coal from the energy strategy will affect all of us, as well as our nation's economy.

The EPA recently established rules for new coal plants and in June of this year they will present their rules for existing coal plants. Mr. Dickinson went on to explain how complying with these potential rules all but guarantees a significant rate increase. Besides the costs associated with such mandates we are equally concerned about reliability.

With all of that being said, we believe this issue should be discussed and decided in Congress. We support an "all of the above" energy strategy that includes natural gas, nuclear power, renewable energy AND clean coal. The present administration seems to support an "all but 1" energy strategy and that "all but 1" is coal.

We are asking for your help to keep electricity safe, reliable and AFFORDABLE. Mr. Dickinson then asked the members to fill out the cards they were given and the cooperative would enter that information into Action.coop on their behalf. He stressed that this message will be sent to the Environmental Protection Agency asking them to maintain the "all of the above" energy strategy.

Mr. Dickinson then thanked the Clinton County Electric Advisory Committee for their opinions and thoughts that were incorporated into the rate increase discussions, as well as all the members in attendance.

Secretary-Treasurer Ron Becker took the podium next to explain details of the 2013 financial report, which included Clinton County Electric Cooperative's "Top Ten Financial Statistics" for 2013. Some of those statistics included CCECI's net worth in 2013 was $24.7 million, CCECI borrowed $2.1 million, and CCECI's long term debt at the end of 2013 was $13.3 million; an increase of $1.7 million from a 2012. During 2013 the cooperative paid $389,438.00 in principle, and $560,000.00 in interest.

Mr. Becker's next statistic focused on how CCECI spent each $1.00 of member revenue. Seventy cents is by far the greatest expense and was used to purchase electricity from SIPC. Ten cents was used for operation and maintenance of CCECI's electrical system, 6¢ went to administrative and general expenses, another 6¢ for depreciation & amortization, 4¢ on interest charges, 3¢ consumer account, customer service and sales expense, and finally 1¢ (just 1% of the every dollar) represents CCECI's Operating Margin.

Mr. Becker finished the 2013 Top Ten list with the fact that 143,500,000 Kwh's were purchased, the net Operating Margin was $167,800, our equity percentage was 37.2%, CCECI paid back $200,000 in general retirement of capital credits and an additional $43,835 was returned to estates. Since CCECI was formed in 1939, there has been a total of $7,019,585 worth of capital credits returned to the members. The Clinton County Electric Board of Trustees believes that returning capital credits back to the membership is the "Cooperative Way" of doing business.

Mr. Becker closed with touching on SIPC's cost for being environmentally compliant. "For 2013 these rules added 21% to their cost to generate electricity and in dollars that added $31,000,000 EXTRA to their expenses. And if you break down $31,000,000 it's almost $60 per minute. That means it's really, really close now to $1.00 per second for every second of the entire year for them to remain environmentally compliant. That is certainly a staggering additional cost in order to generate

On behalf of CCECI employees, Chairman Cary Dickinson accepts the Rural Electric Safety Achievement Program award from President/ CEO of the Association of Illinois Electric Cooperative Duane Noland. ▼

▲ *Members of Clinton County Electric Cooperative re-elected three incumbent candidates for three-year terms. They are pictured left to right: Randy Renth of Mascoutah to serve District 3, Tim Hanke of Carlyle to serve District 1 and Kevin Kampwerth of Carlyle to serve District 2.*

electricity. Sometime during 2014 we plan to start showing on your individual electric bill just how much of your charges were necessary because of required environmental compliance rules."

Next at the podium was President/ COO Mike Johnson. President Johnson welcomed everyone and talked briefly about Clinton County Electric's 75th Anniversary. He then explained that his speech would concentrate on two things, some operational changes and updates at Clinton County Electric, and a detailed presentation of the 2014 rates.

President Johnson jumped right into some of the operational changes that took place in 2013. He started by reminding the members they now have the ability to report an outage via texting. He then invited them to call the office or go to our website, www.cceci.com to find out additional information concerning outage texting.

The next operational change on President Johnson's agenda was E-Business. About 3 years ago CCECI implemented an E-Business solution, which allows the membership to review their bills, consumption history, or make payments 24 hours a day, 7 days a week. Once you are signed up, you are on your way to conducting business with us whenever you want versus "whenever we are open."

During 2012 CCECI installed a new phone system at our headquarters. This new system enables us to answer your questions and requests more efficiently. The key to the efficiency is to have as many active phone numbers in our system as possible. He asked everyone to call the office and update us on any changes to your land lines, or more importantly cell phone numbers that you may have.

At this time President Johnson moved to the outdoor operational changes. He said, "We continued our aggressive reliability program in 2013. Our biggest undertaking in 2013 was starting to construct the tie-line between Ferrin and Shattuc substations. The entire project will take 3 years to complete. During the summer of this year you will see contract crews along Hwy 161, rebuilding the line that was first put into service in 1947. Last year I reported to the membership that our new Ferrin substation went live on January 18, 2013. The remaining two projects will be completed in 2014 & 2015. The total 4 year cost of upgrading the south eastern side of territory will approach $2,000,000."

Next President Johnson spoke about CCECI's pole inspection/pole replacement programs. 2012 was the last year of our 4-year pole inspection program. Over 1,600 rotten poles were replaced during those four years. In 2013 we began Phase 2 of our program. Our contractor inspected poles served by the Beckemeyer Substation. These poles were first inspected in 2009. The failure rate fell from 8.5% to 1.5%. That is a significant change for the good. In 2013 we also started to treat the poles that showed signs of rotting. This treatment is designed to extend a pole's useful life by 10 years. The treatment costs about $50.00 per pole which is a drop in bucket when compared to the $2,000 it costs to replace a pole.

During 2013 we continued our aggressive 4-year cut program. 2013 was the fourth year of the 4-year cut program. It is difficult to measure the results of this program, but we do know the number of tree related outages have decreased significantly over the past 4 years. Our annual budget for the vegetation management program generally hovers around $175,000.

The final operations item President Johnson touched on was "mother nature". The area experienced many storms in 2013, with lots and lots of wind. There was a tornado that had a small effect on us, but produced considerable damage to our south and east. We had some almost unbearable weather days in December 2013/ January 2014. These storms produced very few outages. This tells us that our Pole Inspection/Pole Replacement Program, as well as our 4-year cut program are working and are working well.

President Johnson then moved on to the 2014 Rates. The 2014 Rates include a slight increase and a rate change. "There are three reasons for the slight rate increase. First, we increased rates in 2012 which was primarily driven by increased power supply costs from SIPC. Our expectation was that rates would go down quite a bit in 2013. Well, rates did go down, but not as much as expected. Therefore, that left us with a revenue shortfall.

Secondly, we have invested significant dollars into the distribution system over the past years. Since 2007 we have invested over $11,000,000 in plant and service. Every dollar invested in plant causes increasing depreciation expense and interest expense since we borrowed most of the funds needed for that construction.

Finally, SIPC is budgeting a small increase in 2014, which will amount to about $200,000 to Clinton County Electric. When you roll all three of those reasons together the total increase to Clinton County members will be less than $600,000 or an overall increase of less than 4%.

President Johnson stressed the rate change by saying "we need to recover fixed expenses thru fixed charges (our monthly facility charge) and we need to recover variable expenses thru variable charges (our energy charge on your bill)." He reiterated his point with the following statement "our rate strategy is based upon being fair and reasonable. And the long range goal continues to be: (1) increasing the facility charge, while (2) flattening or lowering the energy charge.

President Johnson went further and talked specifically about our 2 most popular rate schedules, Rate 1 and Rate 10. Under Rate 1 the facility charge increased to $40 per meter per month from $34. The average member on Rate 1 consumes 1290 kWh per month. That average member will see an increase of slightly less than 3.5%. President Johnson acknowledges that since 2009 the Facility Charge has increased over 80%, but at the same time the energy charges have actually decreased. Since 2009, the average member on this rate experienced an 8.5% increase or 1.5% annually.

The Rate 10 members saw an increase in facility charge from $42 to $44. However, as with Rate 1 we lowered the energy charges on this rate. The average member on this rate will see a monthly increase of less than 3%. Why the higher facility charge? President Johnson answered that question by saying, "as you saw before the average usage on Rate 01 was almost 1300 kWhs per month, whereas the average usage on Rate 10 is only 239 kWhs per month. Until we are at the point where all of the fixed costs are recovered through the facility charge, Rate 10's facility charge will always be greater than Rate 1. However, at this time we believe in either 2015 or 2016 the facility charges will be exactly the same on Rate 1 & Rate 10."

As with every strategy that has defined goals, we need to step back and evaluate our accomplishments. The accomplishments met with the 2014 Rates are: small overall increase to membership less than 4%; ensures long term financial success; predictable rates (kept the same rate structures), increase fixed revenues (facility charges); and no one is dramatically affected.

President Johnson then offered the following thoughts on the future of rates, "expect to see stabilizing rates from SIPC, PSGS results should improve, and we will continue our long term rate strategy of increasing facility charges while maintaining or reducing energy charges."

President Johnson concluded his

time at the podium by reminding everyone that "as an owner of your Cooperative, you are entitled to be informed and we are committed to that communication. Please take the time and read your monthly publication provided to you" and again encouraged the membership to visit the web-site www.cceci.com. He also took a moment to recognize the employees of Clinton County Electric. Lastly he discussed the Cooperative's commitment to safety.

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

Next Norman Conrad conducted the election process. He informed the membership that the Election & Credentials Committee met on February 3, 2014 to certify the candidates for election. The candidates for election were Tim Hanke from District 1, Kevin Kampwerth from District 2, and Randy Renth from District 3. Since there was not a contested election, the candidates were re-elected by acclamation.

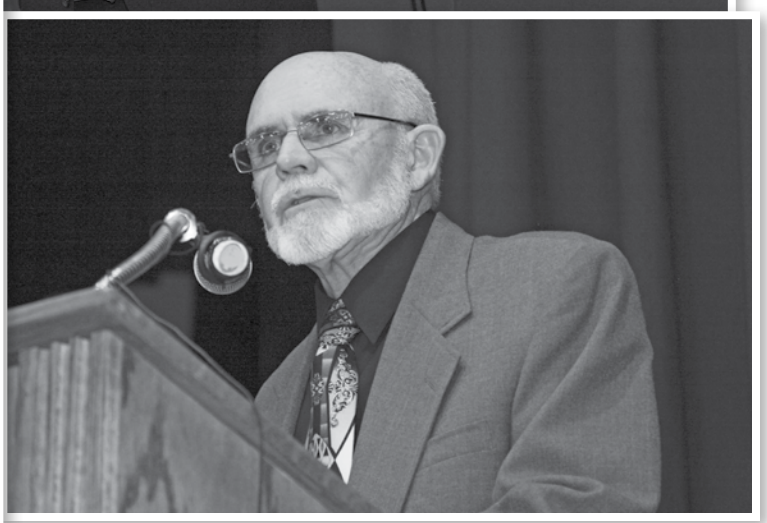
Cary Dickinson then asked President Johnson to give an update on the employees of Clinton County Electric. Upon completing 40 years of dedicated service to the membership Cathy Markus retired. Allan Deiters completed 25 years of dedicated service to the membership, and Craig Benhoff and Ron Deien both completed 5 years of dedicated service to the membership.

In anticipation of Cathy's retirement Carrie Trame was hired. Jacob Haselhorst and Justin Hubert were also hired as Apprentice Linemen in 2013.

Trustee Kevin Kampwerth was honored for having 15 years of dedicated service to the membership.

At this time Duane Noland, President/CEO of the Association of Illinois Electric Cooperative, and Steve Davis, Manager of Regulatory Compliance, presented the Rural Electric Safety Achievement Program award (RESAP) to CCECI. This award was presented to Clinton County Electric for meeting and exceeding safety goals set by the National Rural Electric Cooperative Association (NRECA).

State Representatives Charles Meier and John Caveletto offered a resolution to the Illinois House that was adopted on March 5, 2014. The resolution congratulates Clinton County Electric for its 75th Anniversary. Due to travel commitments neither representative was able to attend the meeting so Chairman



◀ *Chairman Cary Dickinson recognizes Trustee Kevin Kampwerth for completing 15 years of dedicated service to the membership.*

CCECI members show their support for an "ALL OF THE ABOVE" energy strategy by filling out their action.coop cards. ▶

Dickinson read the resolution to those members in attendance.

Don Gulley, SIPC's new CEO took the floor next and briefly talked about his new endeavors at SIPC.

No old business came before the meeting.

Cash prizes were then awarded.

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 that will be held on March 19, 2015. 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 76th Annual Meeting.

Please remember, all initiatives we embark upon always have our members' best interest in mind. Providing our members with safe, reliable, reasonably priced electricity while providing excellent service will continue to be our goal. As always, if you have any comments or questions, please don't hesitate to contact me at Johnson@cceci.com.

Did you get your capital credit check?

If you were a member of Clinton County Electric in 1990, you probably received a Capital Credit check. This year's checks were distributed at Clinton County Electric's 76th Annual Meeting on March 20. Those checks not picked up at the meeting were mailed on April 1, 2014. You should have yours by now. If you haven't received your check, please call the office or email us at billing@cceci.com.

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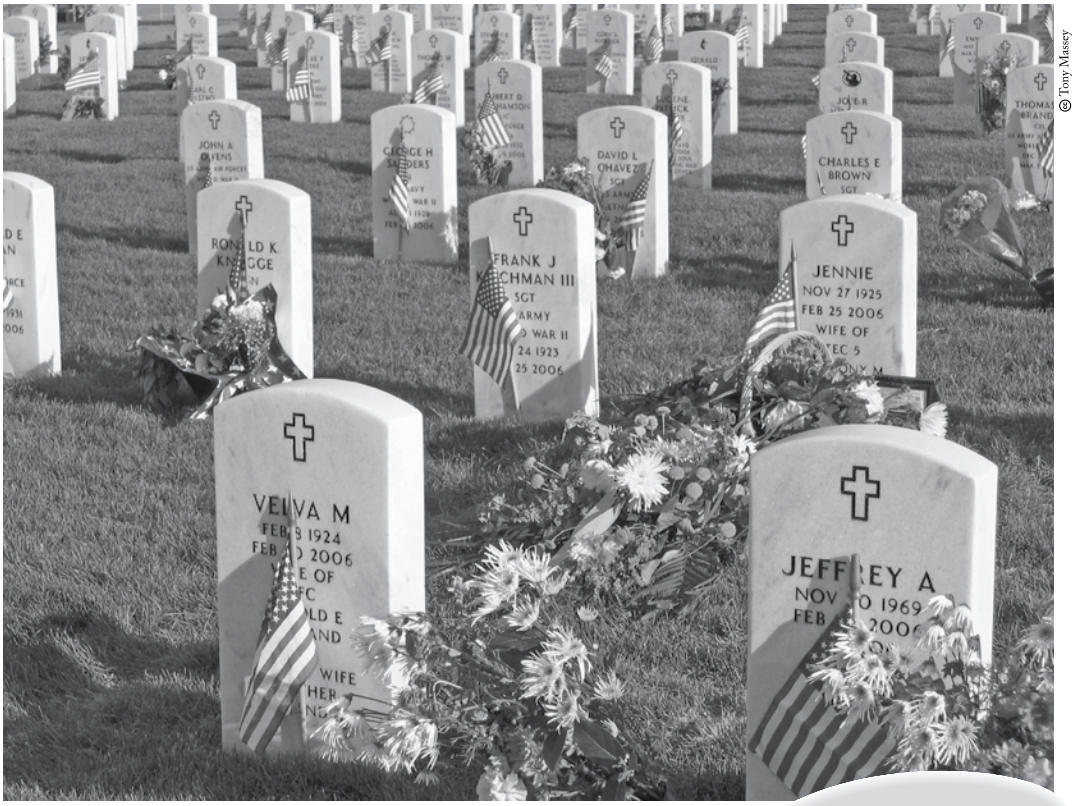

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Mark your calendar

The Cooperative office will be CLOSED on Monday, May 26th in observance of Memorial Day and Friday, July 4th in observance of Independence Day.