

2009 Annual Meeting

ROCK ENERGY COOPERATIVE

Wisconsin

ENERGY COOPERATIVE

MONTHLY SINCE 1940

MARCH 2009

News

changing times,
unchanging
principles

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**Rock Energy
Cooperative**

Monday, April 6, 2009

Eclipse Center • Beloit, Wisconsin

Annual Banquet Program

Doors open 4:30 p.m.
Annual Meeting 5:30 p.m.
Children's Rooms..... 5:15-7:15 p.m.
 Children ages 3 – 7 Pickles the Clown
 Children ages 8 – 12 Videos & Games
Includes Snack & Dinner: Assorted Pizza &
Cookies, Milk/Juice/Water/Pop
Adult Dinner 6:45 p.m.

Menu – Broccoli & Wild Rice Stuffed Chicken
Breast with Wisconsin Mushroom Supreme
Sauce, Honey Glazed Copper Penny Carrots,
Baby Red Jacket Potatoes, assorted Dinner Rolls
with Butter, Coffee/Tea/Milk/Water & Dessert:
Chocolate Cream Cheese Squares

Members must attend this meeting if they wish to vote on co-op business items. Only one ballot will be issued at time of registration per member. Proxy and absentee voting are not allowed.

Notice of Annual Meeting

**Rock Energy Cooperative
April 6, 2009 • 5:30 p.m.**

NOTICE IS HEREBY GIVEN that the annual meeting of Rock Energy Cooperative will be held at the Eclipse Center, Beloit, Wisconsin, on Monday, the sixth day of April, 2009, at 5:30 p.m. for the purpose of transacting whatever business may lawfully come before it. The order of business pursuant to the bylaws, shall be as follows:

1. Call to Order. Quorum Determination
2. Reading of Notice of Meeting
3. Approval of Minutes of Previous Annual Meeting
4. Reports of Officers, Directors and Committees
5. Election of Three (3) Directors
6. Unfinished Business
7. New Business/Questions
8. Adjournment

Dated this 27th day of February 2009.

*Robert C. Crave, Secretary
Rock Energy Cooperative*

OFFICIAL REGISTRATION

Tear off and bring this portion to the Annual Meeting – Monday April 6, 2009
Eclipse Center – Beloit, WI

Doors Open 4:30 p.m.
Meeting 5:30 p.m.
Meal 6:45 p.m.

I hereby certify that I am a member of the Rock Energy Cooperative and as such I am eligible to participate in cooperative business:

Signature _____

Name (please print) _____

OFFICE USE ONLY: _____ (# of adults eating dinner)



By Shane L. Larson,
Chief Executive Officer

Report from the Chief Executive Officer

The past year has been a turbulent one for our nation. Widespread layoffs, falling home prices, foreclosures, and stock market instability have weighed heavily on all Americans. Whether or not you personally lost your job or saw

your retirement savings plummet, these difficult times are affecting everybody in one way or another.

At Rock Energy Cooperative, the tough economy has contributed to a surge in delinquent accounts and bad debt, and that, in turn, has put several of the core values of the cooperative in conflict with one another.

As a local company that is deeply rooted in the area we serve, Rock Energy Cooperative has a long and proud record of helping folks out in times of need. Whether it's donations to local groups or one of our line technicians stopping on the side of the road to help a stranded motorist, we try to do the right thing.

The very notion of a co-op is about neighbors helping neighbors...that powerful force that's created when a group of motivated people unite to overcome a challenge that is larger than any one person.

With local control comes local responsibility. Unlike large investor-owned utilities, we can't rely on Wall Street investors to pick up the slack when there's a budget shortfall. Every penny that's written off as bad debt by the cooperative comes out of the pockets of our members.

Fortunately, Rock Energy members are as kind and generous a group as you can find. I'm certain that if I asked REC members for \$5 to help ensure their neighbors in need could pay their utility bills, most of them would be willing to give \$10. But what about \$20? Perhaps. Or \$30? Maybe. How about \$50?

Where do we draw the line, and what do we do when that line is crossed?

In 2008, on average, every one of the 26,000 meters on the Rock Energy Cooperative system is on the hook for more than \$30 extra to cover the cost of those mem-

bers who have left the cooperative with a debt. If you have a gas and an electric meter, or more than one electric meter, that's \$30 for each meter. For perspective, the \$30 per meter amount is up from \$4 just two years ago.

Meanwhile, social service agencies are struggling to keep up with growing demand for a shrinking pool of energy assistance dollars, and not-for-profit organizations across the nation are seeing their resources dwindle as more and more Americans tighten their belts and reduce charitable giving.

All of this has forced the cooperative to take a close look at our payment policies and make some hard choices about how to balance our fiduciary obligation to preserve the financial health of the cooperative with our human obligation to look out for each other.

We've done a lot of things right, but we've also needed to make some adjustments. When change was needed, we figured out what we could do differently, and then we moved forward.

For more than 70 years, Rock Energy Cooperative and its members have chosen to unite as a collective body to energize our homes and our businesses. The decades have demonstrated that no matter what the challenge, the cooperative has remained focused

on its mission to deliver safe and reliable energy at a competitive price.

As these unprecedented times test the resolve of our organization, remember that the rural electrification movement was born out of the last great economic challenge our nation faced. Electricity brought with it a better life and economic opportunity for our region, and the cooperative spirit of our membership has sustained us ever since.

I hope you'll join the board, employees, and hundreds of the Rock Energy Cooperative family to celebrate our proud legacy and look forward to opportunities that lie ahead at our 73rd annual meeting on Monday, April 6, 2009, at the Eclipse Center in Beloit, Wisconsin. Registration starts at 4:30 p.m., with the program beginning at 5:30 p.m. ■

***For more than 70 years,
Rock Energy Cooperative and its
members have chosen to unite as
a collective body to energize our
homes and our businesses.***



Report from the Chairman

It is that time of year again—preparing for the annual meeting of your Rock Energy Cooperative. This is number 73 (not mine, but the co-op's). As I write this annual report, it is a cold (below zero) and snowy January day. By the time your monthly REC magazine reaches you in March, and the annual meeting date of April 6 arrives, the weather will have changed. But there could also be changes in what is happening in the energy world at that moment. History tells us that events and situations can change overnight.

So my report includes some events and facts that have been part of your co-op up to and including the present time.

One of the big events was, and is, the acquisition of Alliant Energy's utility assets in northern Illinois. That acquisition was finalized on February 6, 2007. That was a huge decision for your board and management, and has, and still does, engender some growing pains, but it was a positive and proper decision. This included natural gas as well as electric assets nearly quadrupling our size. As a cooperative, residents and businesses within that acquired territory joined all of us as members with voting rights in the election of co-op directors and to voice your opinions at annual meetings. That voice is never heard at investor-owned utilities' meetings because those are for shareholders—a cooperative serves its members.

There are some dissenting voices and concerns on rates and disconnect policies, required deposits, payment of bills, etc. Those concerns are not taken lightly, and we try to address them in a professional, civil, and fair manner. Sometimes the response of some members is not so civil, and that makes continuing communication difficult. We have excellent management, a dedicated board, and loyal employees who do everything possible to serve and benefit all the members, and to provide you with reliable, affordable energy. It is our responsibility to keep your cooperative financially viable.

On July 7, 2008, your co-op broke ground for a new district office and warehouse building on Willowbrook Road in South Beloit. This improvement will significantly aid the cooperative to better serve you. Construction is in progress and the hope is for completion in spring of 2009. Our main headquarters will remain in Janesville; all members can use either facility.

The economy, power availability, wholesale power costs, rates, climate change, carbon emissions, renew-

ables, reliability, and energy efficiency are all issues that need constant attention by your board and our state and national trade associations. Because the legislative process dictates so much of what we do in the utility business, we work hard at communicating on these important issues to our state and federal representatives. Additionally, to affect energy and safety policies in Illinois and Wisconsin, the board and employees actively participate on statewide boards and committees, including education, legislative and regulatory, job training and safety. These issues need even more effort in the months ahead with a new state legislature and national administration.

The board believes it is important to be an active part of the community—that's why Rock Energy Cooperative continues to provide high school scholarships and co-op educational opportunities for area youth.

Regular maintenance operations continue daily—upgrading lines, replacing poles, tree and brush trimming, covering outages, substation monitoring, etc. Office employees and staff are essential in keeping the co-op operating efficiently and they do a great job.

Thousands of automatic meter reading devices were installed this past year on Illinois members' meters; Wisconsin meters have had these devices for nearly a decade.

This past year 443 new services were connected. These included 345 electric and 98 natural gas.

Capital Credits totalling \$490,409 were paid in 2008. Since the inception of the cooperative, \$8,346,350 have been paid back to members.

Again, your Rock Energy Cooperative annual meeting date is set for April 6, 2009, at the Eclipse Center in Beloit, Wisconsin. As in past years, we'll have a sit-down dinner, business session, and election of three directors. There will be facilities and food provided for children, with supervision by co-op employees. So bring the kids along.

Thanks to CEO Shane Larson, the board, staff, and all employees for their dedicated efforts in moving Rock Energy Cooperative progressively forward. Finally, I want to thank you, the members. You are the cooperative.

Please join your fellow members on April 6, 2009. Hope to see you there. ■



Stanley Dybevik

Rock Energy Cooperative

Statements of Revenue & Patronage Capital

(subject to audit)

| | Years Ended December 31, | |
|--|--------------------------|----------------------|
| | 2007 | 2008 |
| Operating Revenue | \$ 36,629,178 | \$ 47,329,950 |
| Operating Expenses: | | |
| Cost of Power | 25,795,449 | 33,755,177 |
| Distribution- Operations | 1,452,830 | 1,543,848 |
| Distribution- Maintenance | 1,874,114 | 1,109,807 |
| Member Accounts | 761,829 | 1,668,726 |
| Member Service & Information | 136,542 | 228,773 |
| Administrative & General | 1,256,968 | 1,576,009 |
| Depreciation | 1,851,428 | 2,186,250 |
| Taxes | 136,828 | 203,450 |
| Other Deductions | 7,962 | 6,733 |
| Total Operating Expenses | 33,273,950 | 42,278,773 |
| Operating Margins -before Fixed Charges | 3,355,228 | 5,051,177 |
| Fixed Charges: | | |
| Interest on Long-Term Debt | 2,018,556 | 2,331,108 |
| Interest on Short-Term Debt | 124,659 | 73,216 |
| Total Fixed Charges | 2,143,215 | 2,404,324 |
| Operating Margins -after Fixed Charges | 1,212,013 | 2,646,853 |
| Patronage Capital Allocations | 91,924 | 285,086 |
| Net Operating Margins | 1,303,937 | 2,931,939 |
| Non-Operating Income: | | |
| Interest Income | 15,409 | 37,168 |
| Equity Investments & Other | 156,561 | 141,676 |
| Total Non-Operating Income | 171,970 | 178,844 |
| Net Margins for Period | 1,475,907 | 3,110,783 |
| Patronage Capital- Beginning of Period | 11,133,318 | 12,236,546 |
| | 12,609,225 | 15,347,329 |
| Retirement of Capital Credits | 372,679 | 490,410 |
| Patronage Capital- End of Period | \$ 12,236,546 | \$ 14,856,919 |

Balance Sheets

(subject to audit)

| | As of December 31, | |
|---|---------------------|----------------------|
| | 2007 | 2008 |
| ASSETS | | |
| Utility Plant: | | |
| In Service | \$66,338,529 | \$ 68,554,921 |
| Construction Work in Process | 1,293,238 | 6,902,974 |
| | 67,631,767 | 75,457,895 |
| Less: Accumulated Depreciation | 23,041,115 | 24,957,121 |
| Net Utility Plant | 44,590,652 | 50,500,774 |
| Investments: | | |
| Associated Organizations | 822,024 | 978,572 |
| Other Investments | 896,473 | 977,025 |
| Total Investments | 1,718,497 | 1,955,597 |
| Current Assets: | | |
| Cash & Temporary Investments | 415,541 | 237,271 |
| Accounts Receivable | 7,225,294 | 6,445,886 |
| Inventory, Materials & Supplies | 2,100,112 | 2,433,215 |
| Other current assets | 24,166 | 122,000 |
| Total Current Assets | 9,765,113 | 9,238,372 |
| Deferred Debits | 61,088 | - |
| Total Assets | \$56,135,350 | \$ 61,694,743 |
| EQUITIES & LIABILITIES | | |
| Equities: | | |
| Patronage Capital | \$12,236,546 | \$ 14,856,919 |
| Other Equities | 371,607 | 405,296 |
| Total Equities | 12,608,153 | 15,262,215 |
| Long-Term Obligations | 35,376,888 | 34,600,645 |
| Current Liabilities: | | |
| Current Maturities of Long-Term Debt | 810,058 | 787,440 |
| Notes Payable- Line of Credit | - | 3,742,248 |
| Accounts Payable | 4,666,457 | 4,625,190 |
| Member Deposits | 147,494 | 378,869 |
| Accrued Taxes | 303,729 | 222,966 |
| Other Current Liabilities | 1,387,403 | 1,342,877 |
| Total Current Liabilities | 7,315,141 | 11,099,590 |
| Deferred Credits | 835,168 | 732,293 |
| Total Equities & Liabilities | \$56,135,350 | \$ 61,694,743 |

Rock Energy Cooperative

72nd Annual Meeting – April 7, 2008

An early bird drawing took place at 5:30 p.m.

The 72nd Annual Meeting of Rock Energy Cooperative was called to order by the Chairman, Stanley Dybevik at 5:30 p.m. on Monday, April 7, 2008 at the Eclipse Center in Beloit, WI. Chairman Stanley Dybevik called for a membership count and declared a quorum present: 203 members.

Robert Crave read the official notice of the annual meeting. A motion was made and seconded to approve the minutes of the 71st Annual Meeting. Motion carried.

Treasurer James Quade presented the report of the 2007 business year. No questions were asked. Motion was made and seconded to accept the report. Motion carried.

Chairman Stanley Dybevik introduced board members and spouses, Attorney Dave Collins and CEO Larson.

Stan Dybevik presented the Chairman's report explaining the need to "Strike the Right Balance" between environmental goals and price of energy. He explained the need for a district building in South Beloit to better serve our members. He discussed cooperation Rock has had with the Illinois statewide organization. He emphasized the value of being a member of a cooperative.

CEO Shane Larson thanked the board for their commitment in providing decisions that are in the best interest of the membership. He thanked the employees for their dedicated service. Cooperation between Illinois and Wisconsin membership is very important. He discussed the significance of growing the cooperative from 6,000 accounts to 26,000 with the acquisition of the Illinois territory. He mentioned that while issues have been corrected the first year, the cooperative is dedicated to providing even better service in the future. The cooperative will be installing automatic meter reading devices this summer to improve the co-op's billing accuracy and timing. Increasing power costs were addressed.

Sheldon Petersen, CEO of Cooperative Finance Corporation, expressed great satisfaction in being invited to the meeting. Sheldon was the General Manager of Rock County Electric Cooperative when it had about 4,200 members in the early 1980s. He stated that Rock's purchase of the South Beloit territory is a great opportunity for both sides of the state line. He mentioned that several co-ops in other states have also purchased territories from Investor Owned Utilities, like Alliant. He noted that consumers are using 2% more power annually, therefore the need of more power plants continues. Sheldon commented that cooperatives don't make headlines because they provide good service for a fair price.

1st Vice Chairman Darrel Weber conducted the remaining part of the meeting.

Attorney Dave Collins explained the need for a proposed bylaw change. It was suggested that the two proposed changes be addressed with one ballot. A motion was made and passed.

Attorney Collins reviewed the minutes of the Nominating Committee meeting and those minutes were approved.

Attorney Dave Collins conducted the election. He introduced the incumbents and candidates. There were no nominations from the floor. All present nominees addressed the membership. Candidate Jill Dobbs was not present. Ballots were cast and collected by the appointed tellers. Candidates up for election were Robert Crave, Michael Duffy and Jill Dobbs in district 6, Bill Dietsch and Sue Trickel in district 7, and Stanley Dybevik and Ronald Richards in district 8. Voting followed.

Perry Baird, editor for the Wisconsin Energy Cooperative magazine, presented CEO Larson with an award for energy awareness in Rock's portion of the magazine.

Several legislators spoke as well as Duane Noland, CEO of the Association of Illinois Electric Cooperatives.

Scholarships were presented by Chairperson Jo Miller, Director Marian Trescher and Darrel Weber. The recipients were: Joseph Johnson of Brodhead High School, Logan Krebs of Clinton High School, Jason Porter of Edgerton High School, Heidi Welch of Evansville High School, Sarah MacDowell, Megan McHugh, Austin Sanderson and Molly Stiffler of Hononegah High School, Derrick Zimmerman of Milton High School, and Danielle Jenson and Zack McManus of Parkview High School.

There was no old or new business.

Results of the election were as follows:

| District 6 | District 7 | District 8 |
|------------------------|-----------------------|------------------------|
| Robert Crave 164 | Bill Dietsch217 | Stanley Dybevik .. 205 |
| Michael Duffy ... 121 | Sue Trickel 94 | Ronald Richards .. 102 |
| Jill Dobbs 26 | Dietsch Elected | Dybevik Elected |
| Crave Elected | | |

Proposed Bylaw Change


Yes 243

No 53

Bylaw change passed.

There was another door prize drawing. The meeting adjourned at 7:05 p.m. Shane Larson gave the meal invocation. Dinner was served.

*Respectfully Submitted,
Robert C. Crave, Secretary*



ROCK
Energy Cooperative
www.rock.coop

Shane Larson, CEO
Marty Berg, Editor

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Meet Your REC Board Candidates

District 1

Morris Nelson

Morris Nelson lives at 10422 N. Wallin Road in Porter Township. He is a farmer and does a combination of cash crop and dairy farming. He has lived on REC lines all his life.

“Being a director the last 12 years has been a real challenge. I have learned ‘a ton’ about the utility world. I have tried to represent what is best for you, the members of this co-op. As a current board member, I was involved with our acquisition of the Alliant utility in Illinois. I would like the opportunity to serve the next three years to help complete the project and get it off to a successful start. Thank you for your support.



District 3

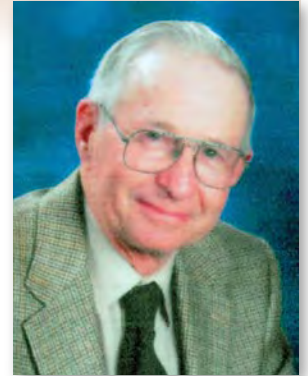
Darrel Weber

Darrel Weber lives at 2708 N. County Road M, Milton, Wisconsin, in Johnstown Township. He has been a director of Rock Energy Cooperative for 18 years.

Darrel has been involved in farming for around 67 years and auctioneering for 49 years. He has been a member of REC for 49 years, but the Weber farm has been on the lines since the cooperative started.

He is an active member of the Johnstown Cemetery Association and the Rock County 4-H Fur and Feather Auction. He is a lifetime member of the FFA Alumni.

“I have enjoyed the challenges that being a director has given me for the last 18 years. My hope is still to help maintain the high quality of service to our customers for the lowest possible price. It has been a real pleasure and learning experience working with all the directors, staff at REC, and all the patrons of the REC Cooperative.”



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Meet Your REC Board Candidates

District 5

William (Bill) Fischer

Bill Fischer is the incumbent director for District 5. Bill has lived on co-op lines for approximately 35 years. He resides in Turtle Township at 6651 E. County Road P in Clinton, Wisconsin.

Formerly a crop farmer raising both hogs and beef for 15 years, Bill has been a Rock Energy Cooperative director for 6 years. Bill is a journeyman electrician. He has served as past President and past Treasurer of the Clinton Kiwanis. He has been active in many volunteer organizations in the Clinton area, notably the Clinton After School Program. Currently, Bill serves on the Building, Purchasing and Policy Committees and has served on the Scholarship Committee as part of his REC board duties.

"I am thankful to the Rock Energy members for allowing me to serve as a director. I would feel privileged to represent you for another three years. Good decisions made today will bring great rewards for the co-op tomorrow."



Thomas J. Hartwig

Thomas J. Hartwig lives at 15200 Albatross Drive, South Beloit, Illinois. Currently he's studying computer repair while on layoff from GM (employed since May 1995). Originally from the Chicago area, Tom lived in Milton for 10 years, then in South Beloit since 2000. He has worked at Milton Propane and as the night service manager at Smith Motors in Ft. Atkinson. Tom currently serves as commissioner on the South Beloit Zoning Board of Appeals & Planning (since 2003), and is a proud parishioner at St. Peters' Catholic Church.



"Conservation is key... working with individuals and families one at a time is key... I would like to do everything I can to help make our utilities more efficient while keeping them affordable. Becoming involved in the co-op, I intend to strengthen communication to help mold Rock Energy into being a 'model co-op.' My approach is to listen and work together to resolve issues and maintain standards while helping to build and improve our community. I am ready to share my knowledge and skills to help the co-op continue to grow into our community to further demonstrate how community and business can work side by side."

Annual Meeting RSVP

Use this card to RSVP for the Annual Meeting & Dinner. Please respond no later than March 26, 2009.

Name _____

Address _____

Account No. _____

(When filling out this form, please print)

_____ # of Adults for Dinner

_____ # of Children 8-12 for Children's Dinner

_____ # of Children 3-7 for Children's Dinner

Please mail the
RSVP Card back at your earliest
convenience, or you may either drop it
off at one of the offices in Janesville or
South Beloit or call 608-752-4550, both
during regular business hours,
7:30 a.m. – 4:00 p.m.