

ROCK ENERGY COOPERATIVE



Wisconsin ENERGY COOPERATIVE

MONTHLY SINCE 1940

MARCH 2011

News



*Illuminating
Our Lives
for 75 Years*



2011
Annual Meeting



Monday, March 28
Eclipse Center
Beloit, Wisconsin

Notice of Annual Meeting

Rock Energy Cooperative
March 28, 2011 • 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 28th day of March, 2011, 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/Bylaws Change Vote
6. Unfinished Business
7. New Business/Questions
8. Adjournment

Dated this 25th day of February, 2011.

Robert C. Crave, Secretary, Rock Energy Cooperative

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

75th Annual Meeting Program

Doors Open 4:30 p.m.

Annual Meeting 5:30 p.m.

Children's Rooms* 5:15–7:15 p.m.

Ages 3–7 Pickles the Clown

Ages 8–12 Videos & Games

*Includes snack and dinner of Chicken Nuggets, French Fries, Cookies, Milk, Juice, Water

Adult Dinner 6:45 p.m.

Menu: Stuffed Florentine Chicken Breast, Wisconsin Cheese Soup, Sweet Potato Crunch, Buttered Corn, Dinner Rolls, Cake, Coffee, Tea, Milk, Water

Rock Energy Cooperative

74th Annual Meeting – March 29, 2010

After an early-bird drawing, Chairman Darrel Weber called the 74th Annual Meeting of Rock Energy Cooperative to order at 5:30 p.m. Monday, March 29, 2010, at the Eclipse Center in Beloit, Wis. Weber called for a membership count and declared a quorum present with 247 members.

Secretary Robert Crave read the official notice of the annual meeting. A motion was made and seconded to approve the minutes of the 73rd Annual Meeting. Motion carried.

Treasurer Marian Trescher presented the report of the 2009 business year. No questions were asked. Motion was made and seconded to accept the report. Motion carried.

Weber introduced board members and spouses, Attorney Dave Collins, and CEO Shane Larson.

Weber reported about the cooperative's progress during the year and explained the benefits of the new South Beloit office and warehouse.

Larson reported that rates will increase from 9.2 cents to 9.7 cents with power cost adjustments that will be used to balance power cost variables. He mentioned that many members are struggling to pay their energy bills, and the cooperative is trying to help members who need assistance.

Collins explained a possible bylaw change, and voting followed. He also reviewed the minutes of the Nominating Committee meeting, and those minutes were approved.

Collins conducted the election, and there were no nominations from the floor. He introduced the incumbents and other nominees, and those present addressed the membership. Candidates were Marian Trescher and Joseph Brown in District 2, James Quade and John Clark in District 4, and Jo Miller in District 9. Ballots were cast and collected by the appointed

tellers: Russ Wille, Gloria Oestreich, Howard Armfield, Carol Lang, and Louis Mercer.

Share Brandt, manager of Wisconsin Electric Cooperative Association, told members that the proposed Clean Energy Jobs Act would increase electric bills. She encouraged members to contact their lawmakers and ask them to defeat this bill.

Duane Noland, CEO of the Association of Illinois Electric Cooperatives, spoke about the Our Energy Our Future campaign. State Reps. Mike Sheridan, Kim Hixson, and Chuck Benedict also addressed the membership.

Scholarships were presented by Chairperson Marian Trescher, Directors Bill Fischer and Bob Crave. The recipients were: Alexa Bradley of Brodhead High School, Melissa Ryan and Samantha Teske of Clinton High School, Donovan Nelson of Edgerton High School, Joseph Miller-Maerz of Evansville High School, Jenna Boggs of Hononegah High School, Marissa Hanlon of Milton High School, Kate Grayless and Michael Jess of Parkview High School, and Alyssa Hess of South Beloit High School.

There was no old or new business.

Results of the election were announced:

Bylaw Change	District 2	District 4	District 9
Passed	Trescher Elected	Quade Elected	Miller Elected

There was another door prize drawing, and the meeting adjourned at 6:45 p.m. After Larson gave the invocation, dinner was served.

Respectfully Submitted,
Robert C. Crave, Secretary



Shane L. Larson,
Chief Executive Officer

Report from the Chief Executive Officer and the Chairman



Darrel Weber
Chairman of the Board

“Electricity is a modern necessity of life (and not a luxury. That necessity ought to be found in every village, in every home, and on every farm in every part of the wide United States.”

That belief of Franklin D. Roosevelt paved the way for the Rural Electrification Act of 1936, which allowed the federal government to make low-cost loans to non-profit cooperatives for the purpose of bringing electricity to rural America. In the mid-1930s, there was a vast difference between the prosperity of city dwellers and rural folks, largely because of the availability of electricity. More than 90 percent of people living in cities had electricity, but only 10 percent of rural areas had power.

Like Roosevelt, a group of Rock County farmers believed that electricity was a necessity for progressive farming and ultimately improving the lives of rural folks. They had requested power from the local utility company but were turned down because it wasn't considered economically feasible.

It became clear to the local farmers that if rural areas were going to get electricity anytime soon, they would have to do it themselves. On April 22, 1936, the group founded the Rock County Electric Cooperative Association, now known as Rock Energy Cooperative. Not only

did these highly motivated individuals start a cooperative, they also worked out a power supply agreement, signed up members, borrowed money, hired employees, put poles in the ground, and strung wire. They were successful in bringing the promise of a better life to the countryside.

At the co-op's upcoming 2011 annual meeting, we will pay tribute to these hard workers as we celebrate 75 years of illuminating people's lives.

The Cooperative Difference

The reason that cooperatives around the country were able to successfully bring electricity to rural areas comes down to one simple statement: Co-ops are different. They don't need to worry about making a profit for out-of-town investors. They exist for the people they serve. That's why here at Rock Energy we refer to you as members, not customers. Without you—the members—there would be no Rock Energy.

Members participate in the democratic process of Rock Energy by electing fellow members to represent them on the board of directors. At the March 28 annual meeting, you will elect directors in three districts and consider a change in the bylaws.

Members also participate financially through our capital credit program. At the end of each year, any margins that exceed annual costs are allocated to members in the form of capital credits. In 2010, Rock Energy distributed more than \$550,000 in capital credits to members. In our 75 years of doing business, more than \$9 million has been paid back to past and current members.

At a recent meeting, Jon Wellinghoff, chairman of the Federal Energy Regulatory Commission, said the cooperative business model is the best way to distribute electricity. He praised co-ops for being more innovative and forward thinking than other sectors of the energy industry.

One principle that sets co-ops apart is our concern for community. As a cooperative, we have a special responsibility to support the areas in which our members live and work. From sponsoring high school scholarships to providing the reliable electrical service needed to sup-



This photo, taken in the early 1950s, shows co-op representatives with a brand new vehicle. At the time, this utility vehicle was considered state-of-the-art.



port business and industry, we are a driving force in the communities we serve.

Honoring Our Forefathers

As we celebrate our 75th anniversary, it's important to remember our roots. Earlier we mentioned the group of forward thinkers who founded our co-op. We also want to name them individually because Rock Energy wouldn't exist without their dedication and hard work.

The signers of the 1936 articles of incorporation were George Ballmer, Ed Mahlum, Michael Weis, Emmett Yale, C. J. Damerow, James A. Conway, J. O. Woodman, H. S. Anderson, William Florin, Clarence Knutson, Adam Lunowa, Grant Rice, H. A. Haried, and J. B. Dybevik. You might recognize some of the names because their family members still live in the area. In fact, Stanley Dybevik, a director since 1971, is the son of founder J. B. Dybevik.

These men created a solid foundation on which the co-op has built for 75 years. We have a tremendous responsibility to continue the tradition of hard work and devotion that the founders first demonstrated in 1936. With the support of dedicated members like you, this commitment will guide us into the future as we stand on the shoulders of those who came before us.

Industry Happenings

You probably are aware that the U.S. Congress did not pass a comprehensive climate change bill in 2010, and it's difficult to predict what—if anything—might happen in 2011. However, Glenn English, CEO of the National Rural Electric Cooperative Association, believes that the current Congress will struggle to find consensus on energy legislation, climate change, and other issues important to co-ops. He attributed the predicted gridlock to the fact that many moderate Republicans and Democrats were voted out of office in November and replaced by more liberal Democrats and more conservative Republicans.

If the gridlock prevents legislation from being passed, it's likely that changes could be forced through regulation. Starting this year, the U.S. Environmental Protection Agency has the power to regulate greenhouse gases, using the Clean Air Act to curb carbon emissions. Rock Energy is joining co-ops nationally to ask Congress for a two-year moratorium on EPA regulation. This delay would give Congress the chance to enact climate change legislation. We clearly believe it should be Congress, and not the EPA, that regulates greenhouse gases.

As part of the Our Energy, Our Future campaign, co-ops throughout the nation have asked members to contact their representatives about EPA regulation. We're



Rock County Electric Cooperative's line crew in charge of construction and maintenance in the early 1940s was, from left, front: Ed West, Lavern Brecklin, Leroy Fitzsimmons, Mervin Stone; back: Al Manthey, Don Williams, James Polglaze, Kenneth Hessenauer, Hugh Curtis, and Line Superintendent Phil Yuengst.

proud to report that Rock Energy members have sent 1,235 messages to representatives about the issue. That's in addition to the 1,419 messages urging lawmakers to keep any climate change legislation fair, affordable, and achievable. If you want to join the campaign, visit www.ourenergy.com.

It appears certain that government regulations will increase the cost of electricity, but new regulations won't be the only culprit. Prices for fuel, materials, and equipment are continuing to rise. On a more positive note, natural gas prices remain low largely because of increased supply related to new technology that has allowed producers to drill for gas in shale rock.

At Rock Energy, keeping energy bills affordable is a priority. Just as we have since we were founded 75 years ago, we will continue to put our members first.

Co-op Highlights

Financially, the cooperative is in good shape. All obligations and requirements in 2010 were satisfied, and we are forecasting another positive year in 2011. We encourage you to review the financial statements on page 28.

Assuring that our members have reliable and safe energy continues to be our priority. Our investment in new facilities along with maintaining existing infrastructure ensures that our distribution system provides the quality of service our members deserve.

The Red Hawk substation in Milton Township was constructed in 2010 and went on line early this year.

This brings to 14 the number of substations that

(Continued on page 29 ►)

Statements of Revenue & Patronage Capital

(subject to audit)

	Years Ended December 31,	
	<u>2009</u>	<u>2010</u>
Operating Revenue	\$45,577,213	\$50,957,429
Operating Expenses:		
Cost of Power	32,471,416	37,202,352
Distribution- Operations	1,688,004	1,800,683
Distribution- Maintenance	1,105,203	1,292,583
Member Accounts	1,044,049	1,075,510
Member Service & Information	235,981	294,395
Administrative & General	1,925,749	1,920,729
Depreciation	2,330,023	2,626,123
Taxes	333,904	233,397
Other Deductions	4,257	4,289
Total Operating Expenses	<u>41,138,586</u>	<u>46,450,061</u>
Operating Margins - before Fixed Charges	4,438,627	4,507,368
Fixed Charges:		
Interest on Long-Term Debt	2,303,164	2,311,238
Interest on Short-Term Debt	167,780	91,595
Total Fixed Charges	<u>2,470,944</u>	<u>2,402,833</u>
Operating Margins - after Fixed Charges	1,967,683	2,104,535
Patronage Capital Allocations	<u>303,180</u>	<u>279,411</u>
Net Operating Margins	2,270,863	2,383,946
Non-Operating Income:		
Interest Income	13,645	161,952
Equity Investments & Other	294,739	152,961
Total Non-Operating Income	<u>308,384</u>	<u>314,913</u>
Net Margins for Period	2,579,247	2,698,859
Patronage Capital-Beginning of Period	<u>14,856,919</u>	<u>16,886,196</u>
	<u>17,436,166</u>	<u>19,585,055</u>
Retirement of Capital Credits	<u>549,970</u>	<u>715,690</u>
Patronage Capital-End of Period	<u>\$16,886,196</u>	<u>\$18,869,365</u>

Balance Sheets

(subject to audit)

	As of December 31,	
	<u>2009</u>	<u>2010</u>
ASSETS		
Utility Plant:		
In Service	\$79,421,451	\$81,150,642
Construction Work in Process	209,316	1,628,238
	<u>79,630,767</u>	<u>82,778,880</u>
Less: Accumulated Depreciation	25,997,314	28,307,851
Net Utility Plant	<u>53,633,453</u>	<u>54,471,029</u>
Investments:		
Associated Organizations	1,179,294	3,331,130
Other Investments	1,277,747	1,352,527
Total Investments	<u>2,457,041</u>	<u>4,683,657</u>
Current Assets:		
Cash & Temporary Investments	73,497	57,374
Accounts Receivable	5,869,101	5,519,848
Inventory, Materials & Supplies	1,394,692	1,601,285
Other current assets	101,493	308,819
Total Current Assets	<u>7,438,783</u>	<u>7,487,326</u>
Deferred Debits	-	-
Total Assets	<u>\$63,529,277</u>	<u>\$66,642,012</u>
EQUITIES & LIABILITIES		
Equities:		
Patronage Capital	\$16,886,196	\$18,869,365
Other Equities	432,645	529,615
Total Equities	<u>17,318,841</u>	<u>19,398,980</u>
Long-Term Obligations	36,227,439	35,251,499
Current Liabilities:		
Current Maturities of Long-Term Debt	867,221	970,726
Notes Payable- Line of Credit	405,115	1,342,365
Accounts Payable	5,607,981	6,516,199
Member Deposits	531,365	495,016
Accrued Taxes	315,355	376,513
Other Current Liabilities	1,528,935	1,569,976
Total Current Liabilities	<u>9,255,972</u>	<u>11,270,795</u>
Deferred Credits	<u>727,025</u>	<u>720,738</u>
Total Equities & Liabilities	<u>\$63,529,277</u>	<u>\$66,642,012</u>

CEO & Chairman's Report

(Continued from page 5)

serve more than 17,000 meters along 1,300 miles of line in southern Wisconsin and northern Illinois. Red Hawk will serve the increasing demand for electricity in the Milton Township area and support anticipated growth of the Milton Crossroads Business Park. In addition, it will provide backup support for neighboring townships, ensuring the reliability of service to members.

Also in 2010, we worked to improve communication with members. In addition to this monthly magazine that members receive and the newsletter delivered with monthly energy bills, we have started to send out periodic emails with news of interest to members.

If you would like to join our email list, visit www.rock.coop and enter your email address in the box that says "Join Our Email List to Receive Important Announcements." We won't load your inbox with unnecessary spam or provide your information to anyone for any reason. We just want to communicate things like planned outages, energy efficiency tips, program deadlines, and other information to you quickly.

In another effort to improve communication, we have conducted meetings with specific groups of members during 2010. For example, in September we met with representatives from some of our larger commercial and industrial accounts to make sure we understand their energy needs and are doing everything we can to meet them. Our gas crews also meet periodically with emergency responders and government officials in an effort to increase public awareness about natural gas safety.

For the past 75 years, your co-op has provided members with safe and reliable energy at an affordable price. Our commitment to you for the next 75 years and beyond is that Rock Energy will continue to put you—our members—first while meeting your energy needs.

We hope you'll join the Rock Energy board, employees, and hundreds of members in our co-op family at our 75th annual meeting on Monday, March 28, at the Eclipse Center in Beloit. Registration starts at 4:30 p.m., and you will learn more about the co-op's rich history during the program, which begins at 5:30 p.m. Then during dinner while long-term members reminisce about the early days of electricity, everyone will try to imagine what life was like 75 years ago before the co-op illuminated the countryside.

Happy 75th anniversary to Rock Energy Cooperative. ■

2011 Proposed Change to Rock Energy Cooperative Bylaws

The Board of Directors has voted to recommend the following modification to the membership:

Inserted text

Article III. Directors

Section 4. Director Nominations and Qualifications: The chairman shall appoint a nominating committee from the respective director districts who are scheduled for election for each annual meeting to prepare a slate of candidates from each expiring district. The committee slate of director nominations shall be included in the notice of the annual meeting. Director nominations will be accepted from the floor during a designated time period at the annual meeting. Floor nominations must be only for those expiring districts and subject to applicable bylaw requirements. No person shall be eligible to become or remain a director of the Cooperative who is an employee, outside or independent contractor of the Cooperative, or who has within five (5) years preceding the date of the election been an employee, outside or independent contractor of the Cooperative. No person shall be eligible to become or remain a director of the Cooperative when employed in any way by or has a financial interest in a business that sells energy, services, or supplies to the Cooperative. No person shall be eligible to become or remain a director when employed by or has a financial interest in a competing enterprise. No person shall be eligible to become or remain a director when closely related to an incumbent director or current permanent employee. Whether by blood or through marriage, "closely related" shall be defined as a spouse, parent, child, sibling, grandchild, grandparent, aunt, uncle, nephew and niece, and any other family member or person residing in the same residence. Additional qualifications may be determined by cooperative policy.



Shane Larson, CEO
Barbara Uebelacker,
Editor

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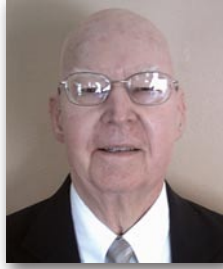
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Meet Your REC Board Candidates

District 6

Richard Baer lives at 1010 Williamson Circle in Rockton, Ill. He is retired, having served as chief business officer of a community college in Omaha, Neb., as it grew from 7,000 students to more than 30,000 students with five campuses. He also was chief business officer at Rock Valley College in Rockford during its start-up years.



Richard is a member of Old Stone Church in Rockton, serving on the church council and fellowship committee. He also served a term as president of the Summit Condo Association and is a member of the honor guard of the Rockford Chapter of the Korean War Veterans Association.

“Since retiring, I have missed being part of a dynamic organization looking forward to growth, change, and innovation,” he said. “I believe that I can make worthwhile contributions to the cooperative through past and future experiences and look forward to the opportunity. I do believe there will be major growth and change in the cooperative in the next 10 years with the need for thoughtful, forward-looking decisions to make the growth and change effective and efficient.”

Robert Crave lives at 3307 W. Spring Creek Road in Beloit Township and has lived on co-op lines for more than 55 years. He has been a member of the board of directors since 1983 and currently serves as board secretary. He is a graduate



of the National Rural Electric Cooperative Association director certification program.

Bob graduated from UW–Madison with a degree in agriculture and served with the U.S. Marines during the Korean Conflict. He retired from Kerry Food Ingredients in 1990 and is currently semi-retired. He’s been a 4-H leader, is active in his church, and is a longtime woodcraft hobbyist.

“I want to continue the improvement of the cooperative and provide good, dependable 24-hour service for the membership, while looking into the future with the best interest of the cooperative in mind,” he said.

Michael M. Duffy lives at 535 S. Bluff Road in South Beloit, Ill. He served as superintendent of the South Beloit School District from 1995 until he retired in 2010.



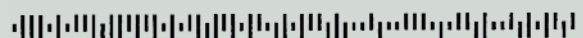
Mike grew up on a grain and livestock farm in Illinois, graduated from the University of Illinois and Illinois State University, and served as a sergeant in the U.S. Air Force. He also has completed certification programs in school business and administration. Mike had served on several boards and committees, including the Blackhawk Insurance Cooperative, Greater Beloit Chamber of Commerce, Stateline United Way, Stateline Boys and Girls Club, and Northern Winnebago County Rotary. He also is active in his church.

“I believe I have a great deal of expertise and common sense,” he said. “I will listen to the member/customers and bring a positive energy with me to the Rock Energy Board of Directors. I believe co-ops are a very effective and efficient way to do business.”



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Meet Your REC Board Candidates

District 7

Bill Dietsch lives at 7050 W. St. Lawrence Ave. in Newark Township and has been a co-op member since 1965. He has served on the board of directors since 1999 and currently is first vice chairman.



He is a graduate of the National Rural Electric Cooperative Association director certification program and serves on the board of directors for the Association of Illinois Electric Cooperatives.

Bill studied marketing and education at the University of Omaha and UW-Whitewater and served in the Air Force for four years. He retired from Chrysler after 30 years and is now self-employed refurbishing homes. He also served as a volunteer basketball coach for fifth-through eighth-graders at Brother Dutton School in Beloit for 25 years.

worked as an apprentice lineman at Commonwealth Edison Co. in Chicago for two years. Then he moved to Elk Grove Village, Ill., and started working for Illinois Bell Telephone Co. He was AT&T area manager when he retired after 30 years. He currently is vice president of the Otter Creek Lake Utility District.



“I have 28 years experience in utility operations and management, and have served on village, zoning, and condo boards,” he said. “Rock Energy is financially sound and well managed. As a director, I would strive to maintain this high level of service.”

Ronald Richards lives at 133 Lake Summerset Road in Davis, Ill., and has been a member of Rock Energy Cooperative since 2007.



Ron is an accountant with more than 40 years of experience, about 20 years in the not-for-profit sector and the balance in manufacturing. He served eight years in the Indiana National Guard as company commander. He is a member of Faith Community Church in Davis.

“I believe that as your representative on the board and with my accounting experience, we can guide Rock Energy into the future with strength and integrity, and provide quality services to our customers,” he said. “I would appreciate the opportunity to serve as your representative.”

District 8

Two candidates have been nominated to fill the District 8 seat being vacated by Stanley Dybevik, who is retiring after 40 years on the board.

Paul Hasselquist lives at 1234 Lake Summerset Road in Davis, Ill., and has lived in the Davis area for seven years.

After serving in the Navy for four years, Paul

Annual Meeting RSVP

Use this card to RSVP for the Annual Meeting & Dinner. Please respond no later than March 17, 2011.

Name _____

Address _____

Account No. _____ E-mail address _____

(if available)

(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 this card back at your earliest convenience or drop it off at either our Janesville or South Beloit offices. You also may call (608) 752-4550 or (866) 752-4550 between 7:30 a.m. and 4 p.m. Monday through Friday.