2019 ANNUAL REPORT 1000 ANNUAL REPORT 1000 ANNUAL REPORT 1000 ANNUAL REPORT 1000 ANNUAL REPORT

ENVISIONING TOMORROW

MARCH 2020

2020 Annual Meeting Monday, March 30



NOTICE OF ANNUAL MEETING

Rock Energy Cooperative March 30, 2020 • 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 30th day of March 2020, 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 2nd day of March 2020.

Marian Trescher, 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.

84th ANNUAL MEETING PROGRAM

Doors Open	4:30 p.m.
Annual Meeting	5:30 p.m.
Children's Room*	5–7:15 p.m.
Ages 3–12	Fun Games
	and Activities

*Includes snack and dinner of Pizza, Vegetables and Dip, Cookies, Milk, Juice, Water

Adult Dinner6:45 p.m.

Menu: Tossed Garden Salad; All-American Yankee Pot Roast Dinner served with carrots, celery, and Idaho red potatoes; Buttered Green Beans; Dinner Rolls; Fudge Brownie; Lemon Bar; Coffee; Tea; Milk; Water

MEET YOUR DIRECTOR CANDIDATES

DISTRICT 7

William 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 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.

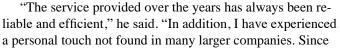
Dietsch studied marketing and education at the Universi-

ty 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.

DISTRICT 8

Fred Kile is retired from U.S. Filter, where he worked as vice president of environmental, health, and safety in Rockford. He received a bachelor's degree in mathematics from Marquette University.

Kile lives at 1957 Baintree Road in Davis and has been a co-op member for more than 30 years.



retiring two years ago, I have pursued opportunities to use my management skills in other ways, and I believe that I could be an asset to the co-op."

Kile is chairman of the Otter Creek Lake Utility District Board of Trustees and leads its capital expenditure committee. His other experience includes serving on the executive board of the Rockford Road Runners as chairman of the race circuit committee, where he works with club members and about 20 community races. He also is race director for a running club that raises funds for the local library.

Ronald Richards lives at 133 Lake Summerset Road in Davis. He has been a co-op member since 2007, has served as a director on the REC Co-op Board since 2011, and is currently vice chairman.

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



During his years of service on the board, Richards has completed the necessary National Rural Electric Cooperative Association training to receive the Cooperative Director and Board Leadership Credentials and Director Gold Certificate. In addition, he has served on the REC Legislative and Scholarship Committees.

"I believe that as your representative on the board and with my business and accounting experience, I can assist in guiding Rock Energy into the future with strength and integrity, and provide quality services to our members," he said. "I would appreciate the opportunity to continue to serve as your representative from District 8."

District 6 candidates appear on the inside and outside back cover.





Bill Dietsch

Chairman of the Board



Report from the Chief Executive Officer and the Chairman



2020: ENVISIONING TOMORROW

Shane L. Larson, Chief Executive Officer

hen area farmers founded Rock Energy 84 years ago, they envisioned a future where electricity was available to everyone who wanted it. They had requested power from the local utility company

but were told that it wasn't economically feasible to construct power lines to serve rural areas. It became clear to the farmers that if rural areas were going to get electricity anytime soon, they would have to do it themselves. Less than 15 months after the co-op was formed, electricity started flowing to rural Rock County. The founders had a vision and worked hard to make it happen.

Through the years, Rock Energy has continued looking toward the future and turning visions into reality. In 2020, we envision a tomorrow with hope and excitement. We have the tools and personnel necessary to meet the ever-changing needs of our valued members and the communities we all call home.

As we prepare for our 84th annual meeting on Monday, March 30, we are proud to report that the cooperative is in good financial shape. All obligations in 2019 were satisfied,

and 2020 is forecast to be another positive year. We encourage you to review the financial statements on page 20B. Members participate financially in the co-op through our capital credits program. At the end of each year, any margins that exceed actual costs are allocated to members in the form of capital credits. In 2019, Rock Energy distributed about \$1.2 million to current and past members. Since the co-op was founded, more than \$18 million has been paid back.

Your economic participation is one of the many qualities that make energy co-ops different from investor-owned utilities. We call this "the cooperative difference." We don't worry about making money for out-of-town investors. We exist solely to provide you with safe, reliable, and affordable energy.

To accomplish that, we continue upgrading our distribution system. A major project that was completed in 2019 involved replacing our Automated Meter Reading (AMR) system with a new one that required the installation of different meters. The new Advanced Metering Infrastructure (AMI) system helps us operate more efficiently, improves reliability, and provides you with more information about your energy consumption.

The new meter records your energy use every 15 minutes. You can log on to SmartHub, our online account management system, to view this information and pinpoint your usage during various weather conditions and different times of the day. This timely data helps you make wise decisions about how you use energy.

During 2019, we also continued to maintain and improve our electric and natural gas distribution infrastructure. These enhancements not only provide you with needed energy, but they also help officials attract new business and industry to our communities.

On the electric side, the Sheepskin Substation, located west of Edgerton, was upgraded to replace outdated equipment and improve reliability. The new Edgerton Substation that is shared with Alliant Energy and located northeast of Edgerton

> will improve power quality in the Edgerton area. A new circuit was added to the Harmony Substation to take some of the load off the Fulton Substation.

Electric crews continuously replace old power poles and update lines throughout the co-op's service territory. In addition, some poles were relocated to accommodate Rockton's bike path.

Growth in the area has resulted in many new services, both residential and commercial, in 2019 and more are expected in 2020. Infrastructure will be added to support the new Amazon facility under construction in Beloit's Gateway Industrial Park.

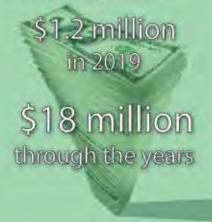
Rock Energy's natural gas department continued making improvements in 2019 to strengthen the distribution system, improve reliability, and ensure safety.

One of the projects involved replacing pipes along Gardner Street, Park Avenue, Clark Street, and Lathrop Terrace in South Beloit. In Rockton, crews

(Continued on page 20C)

Capital Credits

Through the years, Rock Energy has retired \$18 million to current and past members — \$1.2 million in 2019 alone. Because co-ops operate at cost, any excess revenues, called margins, are allocated and retired to members in the form of capital credits.



Statements of Revenue & Patronage Capital

(subject to audit)

5

	Years Ended December 31, 2018 2019	
Operating Revenue	\$58,716,305	\$57,987,313
Operating Expenses:		
Cost of Power	40,374,558	39,474,869
Distribution – Operations	1,641,921	1,716,552
Distribution – Maintenance	2,388,969	2,865,837
Member Accounts	1,031,199	1,094,592
Member Service & Information	388,433	388,071
Administrative & General	2,421,441	2,388,833
Depreciation	3,608,044	3,897,844
Taxes	399,385	409,476
Other Deductions	408,974	188,640
Total Operating Expenses	52,662,924	52,424,714
Operating Margins – before Fixed Charges	6,053,381	5,562,599
Fixed Charges:		
Interest on Long-Term Debt	1,741,225	1,861,265
Interest on Short-Term Debt	224,144	243,090
Total Fixed Charges	1,965,369	2,104,355
Operating Margins – after Fixed Charges	4,088,012	3,458,244
Patronage Capital Allocations	335,452	346,767
Net Operating Margins	4,423,464	3,805,011
Non-Operating Income:		
Interest Income	213,587	219,054
Equity Investments & Other	203,069	212,541
Total Non-Operating Income	416,656	431,595
Net Margins for Period	4,840,120	4,236,606
Patronage Capital – Beginning of Period	<u>35,426,680</u> 40,266,800	<u>38,859,048</u> 43,095,654
Retirement of Capital Credits	1,407,752	1,474,717
Patronage Capital – End of Period	\$ <u>38,859,048</u>	\$41,620,937

Balance Sheets

(subject to audit)

	As of <u>2018</u>	f December 31, <u>2019</u>
ASSETS		
Utility Plant:		
In Service	\$108,956,442	\$117,701,120
Construction Work in Process	5,695,956	3,136,820
	114,652,398	120,837,940
Less: Accumulated Depreciation	41,388,008	44,454,875
Net Utility Plant	73,264,390	76,383,065
Investments:		
Associated Organizations	4,359,963	4,522,815
Other Investments	2,292,580	2,452,538
Total Investments	6,652,543	6,975,353
Current Assets:		
Cash & Temporary Investments	7,681,504	4,848,788
Accounts Receivable	5,309,717	3,823,137
Inventory, Materials & Supplies	1,411,169	1,495,508
Other Current Assets	400,148	308,367
Total Current Assets	14,802,538	10,475,800
Deferred Debits	21,236,383	24,735,729
Total Assets	\$115,955,854	\$118,569,947
EQUITIES & LIABILITIES		
Equities:		
Patronage Capital	\$38,859,048	\$41,620,937
Other Equities	1,436,548	1,489,952
Total Equities	40,295,596	43,110,889
Long-Term Obligations	57,817,254	63,622,865
Current Liabilities:		
Current Maturities of Long-Term Debt	1,376,713	2,195,007
Notes Payable – Line of Credit	6,781,138	335,874
Accounts Payable	4,472,711	3,983,982
Member Deposits	507,738	521,434
Accrued Taxes	607,934	601,737
Other Current Liabilities	1,964,334	2,085,957
Total Current Liabilities	15,710,568	9,723,991
Deferred Credits	2,132,436	2,112,202
Total Equities & Liabilities	\$115,955,854	\$118,569,947

CEO & Chairman's Report

(Continued from page 20A)

completed a system upgrade on West River and School streets. Work to reinforce the system along Prairie Hill Road, which started in 2017, will continue this year. In addition, 300 old natural gas meters were replaced and another 300 are scheduled to be replaced in 2020.



Another example of how Rock Energy is envisioning tomorrow is our partnership with Alliant Energy in construction of the West Riverside Energy Center in Beloit Township. The co-op has 3.4 percent ownership of the advanced technology, highly efficient natural gas facility that is scheduled to be operational in 2020. This partnership will help us control our electric power costs and represents an opportunity for our members to benefit financially for many years.

Not all improvements at the co-op during 2019 involved the distribution of electricity and natural gas. We also have made changes to make it easier for you to pay your bill, access your accounts, and stay connected with the co-op.

A PaySite kiosk has been installed at our South Beloit of-

fice, 15229 Willowbrook Road. Because the kiosk is located just outside our main entrance, members have the convenience of paying their bills 24/7, even when our office is closed. There is no fee for making cash or check payments. But our payment processor charges a \$3.95 convenience fee for credit and debit card payments. Rock Energy does not set this fee or receive any portion of it.

An upgrade for the Smart-Hub mobile app helps you manage your account quickly and efficiently. You can now see your usage analysis right



up front, and you can contact us with the click of a button right from the home screen. Billing, payment, and other features also are easily accessible. Outage and billing alerts on the home screen make it easy for us to communicate important information with you.

We also have added other tools to help us communicate important co-op information to you on a regular basis. A new biweekly newsletter is emailed to members whose email addresses we have on file. The newsletter includes energyefficiency tips to help you save money, important safety information, details about co-op events, and other news about your energy provider. If you're not receiving our email newsletter, you can sign up by visiting www.rock.coop and clicking on the "Sign Up for Our Emails" link at the top of the page.

We have also added a new feature—Info Videos—to our website. The mission of these videos is to help explain questions and comments we frequently get from members. One video helps you understand the various reasons that your energy bill might be higher than your neighbor's. Another video explains that your home has lots of energy vampires, those appliances and electronics that continue to use electricity even after you turn them off. If you missed these videos, they're available by clicking on the "Info Videos" link on our website. We'll keep you posted as we add new videos.



As a Rock Energy member, you're entitled to participate in the co-op's democratic process by electing fellow members to the board of directors. At the March 30 annual meeting, members will elect directors in districts 6, 7, and 8. All directors are elected at-large, so you can vote in all three districts. See the front and back covers for details about the candidates.

On behalf of our dedicated board of directors and experienced employees, we invite you to join us for the 84th Annual Meeting on Monday, March 30, at the Eclipse Center in Beloit. Registration starts at 4:30 p.m. with the program beginning at 5:30 p.m. and dinner served afterward. All the details are available on the inside front cover of this magazine.

Attending the annual meeting gives members—the most important part of our co-op family—a chance to participate in the governance of the cooperative. We look forward to using our 2020 vision to continue providing you with safe and reliable energy at an affordable cost. We hope to visit with you on March 30.





Don't Miss Your Annual Meeting

Did you know every cooperative is required to conduct an annual meeting of the membership to elect the board of directors and share important financial information?

Rock Energy Cooperative's annual meeting on Monday, March 30, is a community gathering where neighbors can meet new neighbors—or catch up with old acquaintances.

As our lives get busier and more of our interactions with others are online, your co-op tries to renew the value of face-to-face human connections. Few organizations are uniquely positioned like Rock Energy to bring together local community residents.

Rock Energy's annual meeting is designed to take care of the important business of your co-op and the equally important business of building a real sense of community. All cooperatives serve both an economic and social purpose.

While providing safe, reliable, and affordable energy is crucial to our mission, improving the quality of life for all members is at the core of what we do every day.

We get out of life what we put into it. We are your neighbors, and we look forward to seeing you at your annual meeting.

NOMINATING COMMITTEE MINUTES

The nominating committee of Rock Energy Cooperative met at Cooperative Headquarters on January 7, 2020, at 1:05 p.m. Board Secretary Marian Trescher called the meeting to order.

Those in attendance: Marian Trescher, board secretary; Charles Fischer, District 6; Joe Perkins, District 7; John Walsh, District 8; and Shane Larson, CEO.

A motion was made, seconded, and carried unanimously to elect Joe Perkins as committee chairperson.

A motion was made, seconded, and carried unanimously to elect Chuck Fischer as committee secretary.

Larson and Trescher reviewed cooperative policies dealing with board positions and nominations. A handout was previously mailed to each committee member outlining director duties and qualifications.

A motion was made, seconded, and unanimously carried to place all names below from each district into nomination.

- District 6: Heather Haynes, Randall Johnson, Clark Schoonover, and Gary Yeiser.
- District 7: William Dietsch.
- District 8: Fred Kile and Ronald Richards.

Being no further business for the committee, the meeting adjourned at 1:35 p.m.

Respectfully submitted, Chuck Fischer, secretary

Shane Larson, CEO

P.O. Box 1758, 2815 Kennedy Rd., Janesville, WI 53547 P.O. Box 126, 15229 Willowbrook Rd., South Beloit, IL 61080 608-752-4550 • 866-752-4550

Barbara Uebelacker, Editor

83RD ANNUAL MEETING MINUTES

Chairman William Dietsch welcomed all in attendance at the 83rd annual meeting of Rock Energy Cooperative on Monday, March 25, 2019. He thanked the Eclipse Center, Best Events Catering, and Snappy from the Beloit Snappers for their part in the event. He introduced special guests, including Wisconsin and Illinois legislators; managers and staff representing WECA, AIEC, Alliant Energy, and Federated Rural Electric Insurance; the REC Board of Directors; attorney Niles Berman; CEO Shane Larson; and spouses in attendance.

Chairman Dietsch called the meeting to order at 5:30 p.m. He called for a membership count and declared a quorum with 277 voting members present. The total attendance was 524.

Secretary Marian Trescher read the official notice of the annual meeting. The minutes of the 2018 annual meeting were printed in the March edition of the coop magazine. A motion was made, seconded, and carried to approve the minutes of the 82nd annual meeting as printed.

Treasurer James Quade reported operating revenue for 2018 at \$58,716,304 with net margins of \$4,840,121. The co-op is in good shape financially. No questions were asked. A motion was made, seconded, and carried to accept the report.

"Providing Power for Generations" served as the theme for Chairman Dietsch and CEO Larson in their reports. Rock Energy had 122 miles of line in 1936. Today, there are 1,265 miles of energized line.

Installation of 28,000 new meters has been a major accomplishment during the past year. This new technology adds to our goal to serve you better. The new Advanced Metering Infrastructure system, which is now operational, uses radio frequency to transmit data to the co-op. It is fast and very reliable. Location and diagnosis of power outages results in faster response times. "We are punching above our weight class" with all the technology improvements, CEO Larson stated.

Another positive action for the future is our partnership with Alliant Energy in the new West Riverside Energy Center, which is scheduled to be operational in 2020. It will be the most efficient natural gas-fired power plant in Wisconsin.

Attorney Berman conducted the election. The minutes of the nominating committee were read and accepted. Candidates for Districts 2, 4, and 9 were introduced. District 9 candidates were invited to speak to members. Voting took place with the three incumbents re-elected: District 2, Marian Trescher, uncontested; District 4, James Quade, uncontested; and District 9, Wendell Boyer winning over challenger David Diestler.

Duane Noland, president and CEO of the Association of Illinois Electric Cooperatives, was introduced and brought greetings from Illinois.

Scholarships were presented by the scholarship committee—Trescher, chair; Ron Richards; and Barb Miller. Receiving \$500 scholarships were: Katie Chesebro, Milton; Brooke Gardner, Hononegah; Ryan Gasser and Emily Goodger, Milton; Madi Vine, Parkview; and Kyle Wille, Edgerton. Four winners unable to attend were: Emily McCabe, Hononegah; Brenna Mullooly, Clinton; Morgan Stengel, Craig; and Rachel Strasser, South Beloit.

There was no unfinished or further business to be conducted. A few questions that had been submitted to the question box were answered.

Three door prizes were awarded. In honor of the co-op's 83rd annual meeting, each winner received an \$83 credit on their Rock Energy bill.

The meeting was adjourned at 6:15 p.m.

Vice President Ron Richards gave the invocation before attendees were served the delicious meal prepared by Best Events Catering.

Respectfully submitted, Marian Trescher, secretary



MEET YOUR DIRECTOR CANDIDATES

Heather Haynes, who lives at 1007 Watts Ave. in Rockton, graduated from Hononegah High School, Illinois State University in special education, and Blackhawk Technical College in accounting. She also has completed some graduate work at UW-Whitewater.



Haynes has journeyed down two career paths. She worked nearly 15 years as a teacher. She also spent five years in non-profit finance and has been employed for the past two years as a project accountant and materials analyst by Mid-States Concrete in South Beloit.

"The best advice I ever received was 'get involved.' I am part of the community to which Rock Energy Cooperative provides energy; therefore, I am a member," said Haynes, who has been a member since 2018. "I think my membership not only offers benefits, but a responsibility to be informed and have a voice.

"I am interested in serving as a director on the board because I have previous experience with other boards of directors, so I am familiar with how general business meetings are conducted, but I don't know much about the business of energy. I am a lifelong learner though, and given the opportunity to be involved as a director, I look forward to gaining important insight about how REC works as well as how I may contribute to the board."

DISTRICT 6

Randall Johnson, who lives at 124 Old Meadow Lane in Rockton, is an auto consultant at Bryden Ford. He is a former newspaper publisher with a career in weekly and daily newspapers and is the former owner of The Elkhorn Independent. Johnson has a bachelor's degree in business management from the University of Miami. He has been a Rock Energy member since 1995.



"I am a longtime Rockton resident with a deep-rooted knowledge of the needs of our area," Johnson said. "I am interested in serving my community as an REC director to contribute my business management experience and abilities to continue the delivery of high quality and efficient energy services."

Johnson is currently a Rockton Township trustee. His past community involvement includes serving as founding vice president of the Elkhorn Optimist Club, a member of the Elkhorn Chamber of Commerce Board of Directors, and vice president of the Rockton Chamber of Commerce. He also has been active in the Rockton Christmas Walk and RORO Expo, the annual Rockton-Roscoe business expo.

"Future customers are younger and from more diverse backgrounds, reflecting the changing demographics of rural America today," Johnson said. "The future challenges for energy cooperative directors are more complex and numerous than ever before with the best pathways not always clearly marked. It is imperative that cooperatives attract the best leadership talent that its service territory has to offer. I am ready to accept the challenges a director must react to in our fast-paced society. I will be a strong advocate for the residents of District 6."

District 6 candidates continued on the back cover.

Place First-Class Postage Here

Rock Energy Cooperative P.O. Box 1758 Janesville, WI 53547-1758

DISTRICT 6 (continued)

Clark Schoonover, who lives at 830 Westerfield Way in South Beloit, has been a co-op member since 2007. He has served on the board since October 2014, when he was appointed to fill a vacancy.

"I have learned a great deal about the energy distribution business as well as the co-op business model," he said.

"Each month the board is apprised of the financial and operational condition of the cooperative. I look forward to ensuring that Rock continues to remain fiscally strong, while providing safe and reliable service to our members."

Schoonover has taken the necessary 20 classes to achieve Credentialed Cooperative Director, Board Leadership, and Director Gold ratings from the National Rural Electric Cooperative Association. If re-elected, he is committed to sustaining this achievement through continuous training.

He is a lifelong South Beloit resident and has worked as an engineering test technician at Collins Aerospace (formerly Sundstrand) in Rockford for more than 46 years.

"As a past board member and president on the South Beloit Library Board and South Beloit Police and Fire Commission, and now with over five years on the Rock Energy Board, my comfort level in shaping policies which best serve our members' interests has grown tremendously," Schoonover said. "Our members should feel both proud and comfortable with the highly competent and professional staff that handles the day-to-day operations of Rock Energy. I am proud of my association with these people, and I would feel very honored by being elected for another term."



Gary Yeiser is the owner of G.C. Yeiser & Co. and has 34 years of human resources and executive recruiting experience. He lives at 925 High Point Drive in Rockton and has been a coop member since 2017.

Yeiser served in the military, finished college while serving a local sheriff's department as a detective,



developed a career in sales, became an executive recruiter, and has managed his own business for the past 20 years. He formed the first Fraternal Order of Police chapter at the sheriff's department, served as chairman of his church, and became chairman of the President's Club for the Rockford Chamber of Commerce. While working at Woodward Governor, he served on the membership evaluation committee and charitable contributions committee.

"I have served on different organizations, and I have found the experiences both rewarding and fulfilling," Yeiser said. "I have seen many organizations go through changes as they have grown or their directions have changed. I was invited to help them by assessing their needs and working in concert to meet their goals. Energy is an area I am not familiar with, and I feel by serving the cooperative I will learn a whole new industry.

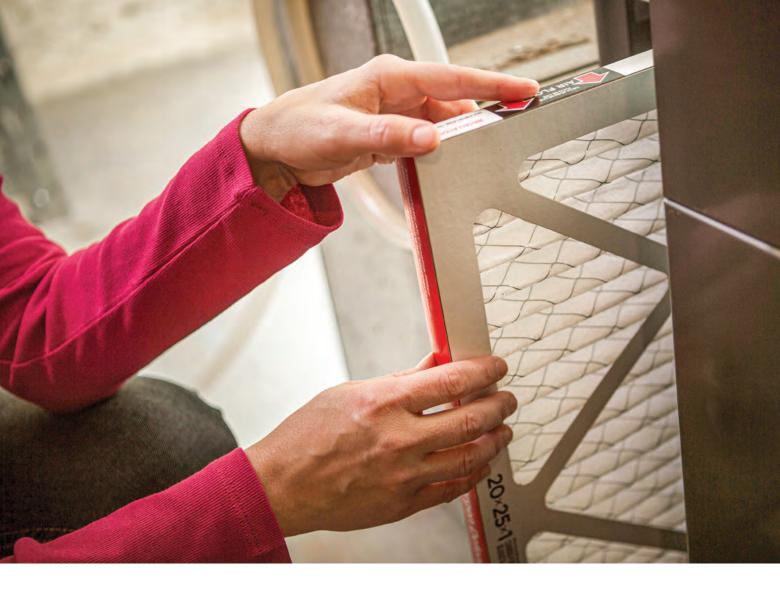
"All of these experiences have given me insight into complex issues and working with others to find solutions and develop methods to successfully obtain the desired results. I think I can contribute to the cooperative and make the team stronger."

e-mail BarbU@rock.coop.

Annual Meeting RSVP

Use this card to RSVP for the Annual Meeting & Dinner. Please respond no later than March 19, 2020.

Name		
Address		
Account No	E-mail address	(if available)
(When filling out this form, please print)		
<pre># of Adults for Dinner # of Children 8-12 for Children's Dinner # of Children 3-7 for Children's Dinner</pre>	convenience Janesville or South I call (608) 752-4550 c	s card back at your earliest or drop it off at either our Beloit offices. You also may or (866) 752-4550 between Monday through Friday or



Spring cleaning with a payback!

What's on your spring-cleaning list? Be sure to include changing out your furnace filter, clearing dust from the refrigerator grill and the dryer vent and hose, clearing debris away from the air conditioner or heat pump, and making sure your air ducts are clean. It will be the first time spring cleaning has ever paid you back!

Find cost-cutting energy solutions that will serve you now and in the future at touchstoneenergy.com.

Brought to you by your local Touchstone Energy Cooperative.

