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Chief Executive Officer



## More Power to You

# BOARD RETURNS MORE CAPITAL CREDITS TO HELP MEMBERS DURING PANDEMIC

For many Rock Energy Cooperative members facing financial hardship during this pandemic crisis, the credit on their May statement from the distribution of capital credits couldn't have come at a better time.

In April, the board of directors voted to distribute about \$2.1 million in capital credits. Since it was founded 84 years ago, the co-op has paid back more than \$20 million to past and current members.

If you compare this year's May statement with last year's, you'll notice that the amount of returned capital credits most likely has increased. The board recognized that many members were confronting financial difficulties and wanted to help them through this unprecedented time.

Since 2002, the board has returned 3 percent of members' accumulated capital credits each year. That amount was increased to 5 percent this year, resulting in \$830,000 more being returned to members. The board hopes that the extra amount will provide some financial help to members during the pandemic.

Your May statement shows your share of the co-op's 2019 earnings as well as your overall capital credits balance, which represents your equity in the co-op. That money is used to maintain and upgrade the system and repay associated indebtedness.

Capital credits are a unique benefit of your Rock Energy membership. As a not-for-profit business, we function differently from an investor-owned utility, which must make a profit for shareholders who might not live in the community or receive service from the utility. Co-ops, however, support our communities by putting money back into the local economy and into the pockets of those we serve.

You might wonder why a not-for-profit business needs to accumulate equity. It's actually a fairly simple explanation. We receive funds to provide electricity and natural gas to members from two sources. The first is the amount you pay for service, and the second is money that we borrow from banks.

Our lenders require that we maintain a minimum equity level. We would put our financial position at risk if we did not retain

enough of your capital credits to help build, sustain, and grow the co-op. Because we are financially strong, our lenders can offer lower interest rates since they have more confidence that we will repay our loans. That helps keep our energy rates lower.

If you want to learn more about capital credits, I encourage you to read the frequently asked questions on page 16. If you have any other questions, feel free to call us.

## Pandemic Update

As I write this column during the first week in May, Wisconsin and Illinois residents remain under a stay-at-home order because of the coronavirus pandemic. When you read this in June, I'm hoping that some of the restrictions will have been lifted.

The pandemic has changed our lives, and it's impossible to predict when any sense of normalcy will return. Usually in my June column, I invite you to join us for Rock Energy Night at Ballpark. But this year the Beloit Snappers season, like all

## How Do Capital Credits Work?

Because Rock Energy Cooperative operates at cost, any excess revenues, called margins, are returned to members in the form of capital credits.

Eligible members see their capital credits amount applied as credit on their May bill.

5

REC tracks how much energy you buy and how much money you pay for it throughout the year.

1

Rock Energy has paid  
**\$20 million**  
to members over  
the years.

At the end of the year, REC completes financial matters and determines whether there are excess revenues, called margins.

2

4

When REC's financial condition permits, the board of directors decides to retire, or pay, the capital credits.

3

REC allocates the margins to members as capital credits based upon their use of energy during the year.



sports, is on hold. We are in close contact with the Snappers management and will keep you informed of any developments.

Also on hold is Rock Energy's 84th annual meeting, originally scheduled for March 30. The board is considering options, and details about the resched-

uled meeting will be announced when finalized.

Please visit [www.rock.coop](http://www.rock.coop) regularly for news about the co-op related to the pandemic. You also can stay informed by registering to receive important email messages from Rock Energy by clicking

on "Sign Up for Our Emails" at the top of the website.

We hope you are staying healthy. As always, I want to thank you for allowing us to be your energy provider. If we can do anything to improve our service, please let us know.

## Frequently asked questions about capital credits

### **Q: What are capital credits?**

A: Capital credits are one of the many benefits of co-op membership. As a cost-of-service energy provider, Rock Energy doesn't earn profits. Instead, co-ops use the term margins, which is any revenue remaining at the end of the year after all bills are paid. Capital credits reflect each member's equity in, and contribution of capital to, the cooperative. This differs from dividends that investor-owned utilities pay shareholders, who may or may not receive service from the utility.

### **Q: Where does the money come from?**

A: Co-ops set rates to generate enough money to pay operating costs, make payments on any loans, and provide an emergency reserve. At the end of each year, we subtract operating expenses from the operating revenue collected during the year. The balance is called an operating margin.

### **Q: What's the difference between allocation and retirement?**

A: An allocation is your proportional share of the margins. We set this money aside to use as operating capital for improvements and maintenance. A retirement is the amount you receive as a credit on your statement. It is a percentage of your allocations accumulated over the years. Typically, after utilizing capital for 20 to 30 years, it is retired.

### **Q: Why does the cooperative need to accumulate equity?**

A: Your equity in the co-op reduces the need for us to raise rates or borrow money to meet expenses. Co-ops receive their operating funds from two sources: the amount members pay for service and bank loans. Lenders require that co-ops maintain a minimum equity level, which is where capital credits come into play. Equity levels are a measure of financial strength. Higher levels give lenders more confidence that a loan will be repaid and allow them to offer lower interest rates. Without this equity, members' rates would be extremely high.

### **Q: Are capital credits retired every year?**

A: Each year, your board of directors decides whether to retire capital credits based on the co-op's financial health. Rock Energy's ability to retire capital credits reflects the cooperative's strength and financial stability.

### **Q: Were more capital credits returned to me this year compared with previous years?**

A: Yes. Since 2002, the board has voted to retire 3 percent of members' capital credits balances. However, this year the board recognized that many members were experiencing financial difficulties because of the coronavirus pandemic and decided to retire 5 percent. That change resulted in an additional \$830,000 being returned to members to help them during this crisis.

### **Q: What happens to my capital credits if I move?**

A: Your capital credits remain on our books until they are retired. That's why it's important to let us know of any address changes. This year we issued checks totaling about \$360,000 to past members.

### **Q: Why can't I have my total capital credits balance when I move and no longer receive service from Rock Energy?**

A: Co-ops use the capital credits system to ensure fairness across generations. The equity of members who received service decades ago was used to help keep your rates affordable when you were a member. Now, the equity of former members is doing the same for current members.

### **Q: My capital credits balance is so small, does Rock Energy really need that money?**

A: The balance of an individual former member may be small compared to the co-op's total operating budget, but we have thousands of former members. If every former member asked for and received all their equity today, Rock Energy's costs would increase, thus impacting rates.

### **Q: What happens to the capital credits of a member who dies?**

A: A deceased member's capital credits may be paid at a discount without waiting for a general retirement. A representative of the estate must contact us.

### **Q: What happens to unclaimed capital credits?**

A: We do everything we can to ensure that former members get their retired capital credits. Each fall we publish a list of unclaimed capital credits. Any money that isn't claimed is placed in the Federated Youth Foundation and used for educational purposes, including scholarships and youth programs in both Wisconsin and Illinois.



## Co-op moves power for bridge transport

Rock Energy Cooperative played a role in helping the Luetz family, who are longtime co-op members, preserve a piece of history. Lineworkers Justin Busfield, crew leader, and Billy Beggs, journeyman lineman, temporarily moved a power line so the Smith Road Bridge could be moved. Beggs took this photo as the 99,000-pound bridge traveled along County J in Shopiere to its new home on Ken and Marcia Luetz's property. The Luetzs wanted to preserve a bit of history rather than have the bridge be dismantled.

## HOW CAN BIRDS SAFELY PERCH ON POWER LINES?

If you look up at overhead power lines, you might see birds sitting on the wires. While it's safe for a bird to do so, it is not safe for people to be near overhead power lines.

So how can birds sit on a power line unharmed? Safe Electricity reveals insights into the phenomenon and separates fact from fiction.

It's a myth that all power lines are insulated with a protective coating that prevents shocks. Most power lines are actually not insulated. The coating is for weatherproofing and will not offer any protection from the electrical current.

To understand why birds can sit on high-voltage electric lines unharmed requires digging a little deeper into the science of electricity.

For an electrical charge, or electrons, to move from one spot to another, it must be in contact (or sometimes close proximity) with conductive material that has at least two different points of potential. Electrons will move toward lower potential. That is why it is said that electricity is always looking for a path to ground (lower potential).

A bird remains safe because it is sitting on a single wire and is at one point of contact—and consequently one electrical potential. If the bird sitting at this one potential made contact with another object of different potential, that bird would be completing a path to ground, causing severe electric shock or electrocution. For larger birds with wider wingspans, (Continued on page 18)

## MARK JUNE DAIRY MONTH WITH A FREE GALLON OF MILK

June Dairy Month is a time to pay tribute to the dairy industry, a key contributor to our state's economy. Wisconsin is home to more than 7,000 dairy farms—more than any other state—and 57 percent of those operate on electric co-op lines.

This year, dairy farmers need more than just thanks and good wishes for June Dairy Month. The coronavirus pandemic has hit our state's farmers hard. With schools closing and restaurants limited to carry-out and delivery services only, dairy farmers have temporarily lost a huge market for the milk they produce. Some have had to dump large quantities of milk.

Ironically, at the same time dairy farmers have been forced to dump good milk, many families have been struggling to pay for groceries thanks to pandemic-caused furloughs and job lay-offs.

So this year for June Dairy Month, we're taking action to try to help our

members on both sides of this situation.

Through our statewide service agency, Wisconsin Electric Cooperative Association, we are offering a coupon for a free gallon of milk to all our members, redeemable at any Kwik Trip store. Simply clip out the coupon below and take it to your local Kwik Trip at any

time during the month of June for a free gallon of your choice of non-fat, 1%, or 2% milk.

And when you get back home and pour yourself and your family a cool glass of delicious, wholesome milk, raise a toast to your local dairy farmers who produced it.

# FREE

One Gallon Jug  
**Nature's Touch® Milk**  
Skim, 1% or 2%

Limit one coupon offer per customer, per visit. Original coupon must be presented to the cashier at the time of purchase. Excludes exchange and Chocolate Milk. Coupon cannot be combined with any other offers. Cash value. Good at all Kwik Trip stores. **June 1, 2020 - June 30, 2020**



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## CONSULT US IF YOU PLAN TO INCREASE ELECTRIC LOAD

Are you planning to purchase an electric vehicle and charge it at home or build an addition to your home? Perhaps add a fan or two to cool the livestock? Is your business buying new machinery that will use electricity?

If the answers to any of these questions are “yes,” please include Rock Energy Cooperative in the planning process.

Co-op facilities are designed to meet an individual member’s initial load requirement at the time service is started. If that load is significantly increased, the capacity of the present system might not be sufficient to handle it.

When that happens, the system becomes overloaded and there’s a power outage. An overloaded system also can damage the co-op’s transformers or your electrical equipment, which might lead to expensive repairs.

Our equipment often can handle an overload for a while, but its life span will decrease significantly when the rated capacity is exceeded over an extended period of time. That means additional costs for the co-op and may result in the member paying for the damaged co-op equipment.

So if you’re planning to increase your electric load, please call our Operations Department at 866-752-4550. Our workers will gather the needed information and determine whether the capacity of the present equipment is adequate. In situations where a significant amount of new load will be added, we might need to install larger service equipment or make other changes.

One simple call can save you from an unplanned outage and paying for costly damage to your equipment or the co-op’s. Please make sure you notify us

as far in advance as possible to ensure that the required service upgrade will be available when you need it.

Electric vehicles account for only 1 percent of today’s market, but are predicted to increase to **12%** by 2055.



**Safe**  
Electricity.org

Information collected from the Department of Energy’s  
Energy Information Administration

## Birds on a Wire (Continued from page 17)

reaching and touching another cable is a real hazard.

Getting near overhead power lines is also a serious hazard for people. Line workers must wear appropriate safety clothing, use tested safety equipment, and complete training to safely do the work they do. It is vital that safety equipment is regularly tested because even non-conductive materials, such as rubber, wood, or plastic, can conduct electricity if damp, dirty, or damaged.

Safe Electricity encourages everyone to be aware of their surroundings and shares the following safety tips:

- Always look up and look out for overhead power lines.
- Keep yourself and any tools or equipment at least 10 feet away from power lines in all directions at all times.
- When working with tall equipment, such as ladders, poles, or antennas, carry them in a horizontal position to avoid making contact with overhead lines.
- Always assume that power lines, even if they have come down, are live and carry an electrical charge.

To learn more, visit [SafeElectricity.org](http://SafeElectricity.org).

## Have a Safe and Happy Independence Day!

Rock Energy Cooperative offices will be closed on Friday, July 3, in observance of Independence Day. Members can make payments in the drop boxes at both offices and at our payment kiosk outside the South Beloit office, 15229 Willowbrook Road, during the holiday weekend. Even though our offices are closed, standby crews are always available 24 hours a day. If you need to report a power outage, please call 866-752-4550.

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**ROCK ENERGY  
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Empowering Members Since 1936