



Your Touchstone Energy® Cooperative 

June 2013

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Office Hours: 8 a.m. - 4 p.m.
Monday - Friday

Mission Statement:

Improving the quality of life of our member-owners.

James B. Riddle

Executive Vice President/
General Manager

Board of Directors

- Kevin Liefer, President
- Randall Campbell, Vice President
- Ken Jarrett, Secretary-Treasurer
- Larry Ebers
- Allen Haake
- Paul Hicks
- Gilbert Kroening
- Steven Prest
- Paul Pyatt

Save the Date

75th Anniversary
Annual Meeting
July 25, American Legion
Steeleville, IL

What to do if the power goes off

1. Check your main fuses or circuit breakers to ensure none of them have tripped.
2. Look at your meter. If you can read the numbers on the LCD display, there is power to the meter; you will need to check further for a breaker that has tripped or a fuse that has blown. If there are no numbers present on the display, there is no power to the meter.
3. To report an outage, call 800-606-1505
4. Make sure you have the name as listed on the account and if possible, the account number.



Over the last few months you may have heard news concerning election results allowing a community or county to select a single electric supplier for its citizens or residents. You may have even received offers in the mail for electricity from a variety of suppliers that tout energy savings. If you have, I'm sure you have been wondering what this is about and how it affects you, a member of Egyptian Electric Cooperative. To understand all of this, we have to go back to 1997, when the Illinois legislature passed what was referred to as the electric deregulation or customer choice legislation. This legislation was the road map that has led us to where we are today.

The legislation gave residential consumers of investor-owned utilities the right to choose who their retail energy supplier (RES) was as of May 1, 2002. While customers could choose their energy supplier, the distributor of that energy would remain the same. As customers of municipal electric systems and members of electric cooperatives have the ability to select local residents to represent them on the boards governing these organizations, they were both exempt from the legislation.

At the turn of the century, our national economy was growing while few new power plants were being built due to environmental regulation uncertainty. As demand for energy grew, so did wholesale power costs. While there were RES companies operating in Illinois, they were primarily interested in only large industrial and commercial loads. Retail energy suppliers generally own no power plants; they buy from the grid and resell the power. With prices rising, buying power and reselling it was extremely risky except when

involving large blocks of power that had guaranteed contracts. Few, if any, homes switched energy suppliers.

In 2007, rate reductions mandated for investor-owned utilities expired. You may remember the fire storm that resulted from the increased rates. In response, the Illinois legislature created the Illinois Power Agency to purchase wholesale power on behalf of Ameren and Commonwealth Edison customers. It also allowed local units of government the right to aggregate or combine all of their citizens' electric loads into one marketing account. This would allow a RES to reduce electric rates as they could gain new electric load with little marketing costs. With high wholesale power costs, no communities attempted aggregation.

But then the recession of 2008 came with two major impacts. With the recession came reduction or loss of industrial energy users. In addition, the government in an attempt to spur the economy and help citizens save money, put billions of dollars into programs from weatherization to energy efficiency through the ARRA. These two factors created a market of cheap wholesale energy as power plants fought for more load to pay their fixed costs. There was now a profit to be made buying power on the open market and reselling it to residential consumers. Community aggregation did not take hold until late 2011. At that time, less than 10 percent of Ameren's residential load

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Jim Riddle

Executive
Vice President/
General Manager



Integrity : We are credible, trustworthy, honest and believable.

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was served by a RES. By mid-2012, that grew to over 60 percent.

Where are we today? If one had a crystal ball, you might make a fortune advising the electric industry. As none of us do, we have to look at known facts, trends and changes around us to hopefully predict the future. What we do know is that the wholesale generation of electricity is a risky business, especially in Illinois. Just recently, Ameren Generation announced it was getting out of the generation business and transferring its coal fired generation to Dynegy. We also know there have been many coal fired power plants, especially in the Ohio Valley area, closed or will be in the next few years. We have a national government that is opposed to the use of coal for electric generation. The only new generation we are building nationally is wind. Not that wind is bad, it's just that it isn't dependable. And the economy is beginning to grow.

All of these facts point to a wholesale power market that will most likely see increasing prices yet have risky returns or profit margins. Since RES own little if any generation, will they be able to buy power from the grid and resell it at a profit? Or will they let their current contracts expire and disappear into the night? That's where that crystal ball would definitely pay off.

Understanding that electricity resellers have a different motive than your Cooperative for bringing value to their business is key to understanding why we are staying on a carefully chosen path to serve you at the best possible cost for the long-term. Retail Electric Suppliers have no long-term loyalty to ensure they can continue to serve their customers. Cooperatives, on the other hand, try to make decisions that make the most sense for their members – both now and long term. We are here to serve you conscientiously and efficiently at the best possible cost with a reliable source of power.

As a member of Egyptian Electric Cooperative, your electricity needs

are pooled or aggregated with the other members of the Cooperative, as well as with the members of the six other electric cooperatives that make up Southern Illinois Power Cooperative. This allows the board of directors to secure a long-term power supply on your behalf. Your directors have made decisions to help secure wholesale power over the long-term to protect members from the uncertainty of short-term contracts and the volatility of market-based prices. The board of directors does not want to leave members exposed to fluctuating market prices. Purchasing 100% of your needs from the market isn't prudent and is extremely risky. Our long term goal is to have stability to ensure we are not victims when the cyclic economy changes the energy supply from surplus to scarcity.

We believe the best way to provide rate stability is through a mixture of various types of generation along with prudent market purchases. SIPC members own the generation facilities and receive the electricity at the cost of ownership, without the component of profit going to some unknown shareholder. Owning generation provides members with a hedge against future high market prices.

SIPC on-site generation includes coal and carbon power plants and simple-cycle gas turbines. Through SIPC, members also own 7.9% of the new Prairie State Energy Campus located in western Washington County. Prairie State is a new coal fired power plant with a thirty-year supply of coal immediately adjacent to the plant. Some power is also received through long-term contracts for wind generation and hydro-electric power. Simply put, we have a mix of power supply options.

By choosing this generation strategy, the Cooperative's rates may seem higher today when market prices are artificially low. When market prices begin to rise in the future though, our rates should remain relatively stable. The goal is to provide stable and competitive rates over the long term.

It is important to remember when comparing electricity prices it is not

an 'apples to apples' comparison. Included in our rate is ownership in assets that will provide stable prices for the next thirty plus years. A RES owns no generation; their rate is strictly the market price of electricity and their profit. There is no provision for the future as they do not know who their future customers may be or if the RES will even be in business. When you understand the difference, you realize rates are not comparable.

Consider the difference between a variable interest rate mortgage and a thirty year fixed mortgage. The variable interest rate mortgage is lower cost in the beginning, but carries more risk over its term. Electricity is the same way. It takes long-term planning to ensure there will be a source of electricity in the future. Folks who choose the thirty-year mortgages do so for certainty and lower risk over the long term. And just like the power market, low interest rates will not last forever.

Low energy prices available to marketers today will diminish as the economy recovers and older power plants are retired. The Midwest Independent System Operator (MISO), the organization that has oversight of the power grid in this region, fears a shortage of generation as early as 2016.

In developing a power supply strategy, we forecast and plan for all of our members on a long term basis. The risk of a short-term focus is too risky and provides no hedge against high prices in the future. Building power plants takes many years from concept to completion. Waiting until market prices increase before making a decision means members will be subject to high rates and market volatility. Utilities need to be in front of the curve, just as we did with an investment in Prairie State.

If Egyptian Electric Cooperative's motive was not long term, we would not worry about making decisions concerning your power supply. We would let you have the risk by allowing aggregation and customer choice. But that would be similar to the oil filter commercial; "pay less

Accountability : We act in accordance with our core purpose and values.

today, but pay more tomorrow". In order for Egyptian Electric to look out for our members long term, we must all work together today.

Egyptian Electric Cooperative is

in a good position to provide long term value to our members and will continue to evaluate opportunities to accomplish our mission of delivering reliable electric service at reasonable

prices over the long term. Your board of directors has made tough decisions to ensure members have affordable rates and a stable supply of energy well into the future.

Rural Youth Day

Three area high school students represented Egyptian Electric at Illinois Rural Youth Day in Springfield on April 17.

The students visited the Illinois Supreme Court and area elected leaders in the morning and visited the Lincoln Museum and the Old State Capital in the afternoon. Representative Costello and Senator Luechtefeld met with students on the floor of the Senate chambers.

The three will represent the Cooperative in Washington D.C. this summer as part of the National Youth to Washington program. They will join over 60 other students from Illinois and 900 nationally to learn how our government functions and to visit historic sites.



Pictured left-right front row; Katie Kerkhover, Chester; Senator David Luechtefeld; Kelsey Smith, Pinckneyville, Bryce Cramer, EECA; Alicen Torres, Elkhart.



2013 Annual Meeting Scholarships

Four Egyptian Electric Cooperative college or college-bound students will walk away from the 75th Anniversary Annual Meeting of Egyptian Electric Cooperative on July 25 as very happy individuals.

The Cooperative will be giving four \$1,000 scholarships to members, or dependents of a member, that attend the Annual Meeting and has completed and returned the Scholarship Application by July 19. The selections will be made by drawing during the Annual Meeting.

- The applicant must be a member in good standing of Egyptian Electric Cooperative, or is the dependent of a member of the Cooperative who is in good standing, and must have been

a member for one year prior to July, 1, 2013.

- All applications must be signed by the applicant and parent or legal guardian (if a dependent) and returned to the Cooperative by 4:00 p.m. July 19. Incomplete applications will not be accepted.
- The applicant, or if a dependent of a member, and the parent or legal guardian must attend the Cooperative's Annual Meeting on July 25, 2013 at the Steepleville American Legion. The applicant and parent/legal guardian (if a dependent) must be present at the time of the drawing.
- All applicants must check in at the registration table before 7:00 p.m. the evening of the Annual Meeting.
- The applicant must be enrolled, or have applied for enrollment, in a full-time undergraduate course of study at an accredited two or four-year college, university or vocational school for the Fall 2013 term.
- The scholarship will be sent directly to the recipient upon verification of enrollment.
- Prior recipients of Egyptian Electric Cooperative Association Annual Meeting Scholarships are not eligible to receive a second scholarship.

Applications are available by contacting an Egyptian Electric Cooperative office or downloaded from our Web site, www.eeca.coop and clicking the scholarship link in the Quick Links area.

Commitment to Community: We show compassion, care and courtesy to our members and the communities we serve.

Capital credit allocation

A primary difference between a for-profit investor-owned company and a cooperative, such as Egyptian Electric, is what happens to revenue above and beyond annual operating expenses.

An investor-owned (for-profit) company disperses excess revenue (dividends) to its investors, those that own stock in the company. Investors invest in a company primarily for one reason; they expect a return on their investment.

A cooperative, on the other hand, distributes excess revenue to its members in proportion to their contribution of the revenue. The more you contribute to the revenue through your purchases (in our case, electricity), the more that's returned to you if there is excess revenue. We call these refunds of excess revenue—*capital credits*.

The money represented by members' capital credits (sometimes referred to as patronage capital) is used by your cooperative to repay its long-term debt, to maintain reserves for financing of plant replacements, storm damage and other contingencies, and for other proper purposes. Because patronage capital has to be used in this manner, your board of directors has to balance the need for sound fiscal business practice with a desire to return patronage capital to our members.

The amount of patronage capital due you is recorded on an account established in your name and made a permanent part of the Cooperative's records. The amount credited to your account may at some point be paid in full or in part predicated on prudent business practices. Should the Board of

To calculate your capital credits for 2012 by account, just fill in the information below.

SIPC Capital Credits

Total amount billed in 2012	\$ _____ (a)
Total kWhs billed in 2012	_____ (b)
X multiplier A	.086321117
Result	\$ _____ (c)
Line a – line c	\$ _____ (d)
X multiplier B	.0705989387
line d X multiplier B	\$ _____
	SIPC Capital Credits

Directors determine a refund of capital credits be made, they will be refunded in accordance with the by-laws of the Cooperative.

The board of directors has established a policy that discounted early distributions of capital credits to estates will be made upon request. If you or someone in your family is a beneficiary of the estate of someone eligible to receive a refund, please contact us at 1-800-606-1505 or email us at info@eeca.coop with the name and date of death of the deceased party. We will be happy to send you the applicable paperwork and other information.

In 2012, Egyptian Electric Cooperative generated no capital credits as anticipated and budgeted for. To minimize the impact of a wholesale power cost increase in January 2012, only a portion of that increase was passed on to the members, causing the Cooperative to operate at a loss in 2012.

To calculate the amount of margins allocated to you for 2012 that were came from our ownership

in Southern Illinois Power Cooperative, you will need to know two amounts for each account in your name, the total dollar amount billed (not what your paid) and the total kWh's billed in 2012.

To get the capital credit amount allocated to you by our membership in SIPC, multiply the total kWh billed by .086321117 and subtract the result from the total amount billed. Multiply this number by .0705989387 to get the amount of capital credit allocated to you from Egyptian Electric's membership in SIPC.

In June, we will be printing the amount of capital credits allocated to your account for 2012 on your billing statement. You should place this in your financial records for future use and reference. Please remember, this cannot be used to pay or reduce the amount of your bill. It is for record keeping only.

If you have any questions, please feel free to contact our offices at any time.



Follow EgyptianCoop on Twitter to keep informed of outage status & important things you should know about your electric cooperative!

Teamwork: We work together to provide excellent service.