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JO-CARROLL

A Touchstone Energy® Cooperative  **HI-LINES**



PRESIDENT'S REPORT

by Michael Hastings

Building a stronger cooperative

In October, Jo-Carroll Energy and Farmers Mutual Electric Company announced plans to combine, forming a larger, and stronger, member-owned cooperative.

The decision comes after months of study by both cooperatives, and unanimous votes of approval by the boards of both cooperatives. The combination, subject to approval by the members of Farmers Mutual, would result in a cooperative serving approximately 28,000 electric and natural gas accounts in portions of Carroll, Jo Daviess, Henry and Whiteside counties.

Farmers Mutual will hold a special meeting of its members to explain the transaction, discuss its benefits, and hold a member vote. After that meeting, we'll post additional information on our website as it becomes available. (Jo-Carroll Energy's bylaws do not require a special member vote since it is the surviving entity.)

We are excited at the prospect of bringing together two strong organizations with long and proud histories of service to our members. Farmers Mutual and Jo-Carroll Energy will each bring unique strengths to a combined organization.

Both co-ops are not-for-profit cooperatives, owned by the members we've served. We each have more than 70 years of service to the people of northwestern Illinois. In fact, Farmers Mutual is the oldest electric cooperative in the state of Illinois. Headquartered in Geneseo, Farmers Mutual serves approximately 1,500 electric accounts in Henry and Whiteside counties.

Combining with our neighbor to the south is mutually beneficial. Once the combination is complete, members of both co-ops will continue to enjoy safe and reliable service from a local, member-owned cooperative and will benefit from increased efficiencies, combining the talents and experiences of employees from both cooperatives,

especially during outages.

All members of Farmers Mutual will become members of Jo-Carroll Energy, and all employees of Farmers Mutual will become employees of Jo-Carroll Energy. The Farmers Mutual office in Geneseo will remain open to accept payments, answer member questions, and serve as an outpost for line personnel serving the area, similar to the Jo-Carroll Energy office in Savanna.

The combined cooperative will continue to be governed by a board of directors elected by and from the membership.

Rates for the two cooperatives are similar. As the systems are integrated over time, the cooperative will merge rates so members in the same rate classes pay the same rates.

Capital credits accrued by Farmers Mutual members will be transferred to their new Jo-Carroll Energy accounts and paid out following a special capital credit retirement agreement approved by both boards.

Farmers Mutual members will enjoy a significant expansion in the number of services available to them, including online bill pay, automated meter reading, budget billing, energy audits, and discounts at local and national businesses through the Touchstone Energy Co-op Connections Card. Jo-Carroll Energy members will benefit from a stake in one of the newest, cleanest and most efficient power plants in the country, which is important for long-term power supply planning.

While each co-op boasts its own history and services a distinctive mix of members, we are both guided by the seven cooperative principles. Together we are stronger. When we pool our resources—work cooperatively—we are able to offer all our members more value.

Reader Prize

Each month we print the name of a Jo-Carroll Energy member who is eligible to win a monthly \$25 readership prize. If your name is printed in this month's edition, and not a part of any article, contact Jo-Carroll Energy and claim your prize no later than the 10th of the month following publication.

Office hours

Elizabeth Office
8 a.m. to 5 p.m.

Savanna Office
8 a.m. to 1 p.m.
1:30 p.m. to 4 p.m.

Both Offices
Monday - Friday
800-858-5522

For all outages and emergencies call
800-927-5254

Resume of Minutes

Regular Board Meeting • September 28, 2011

The Jo-Carroll Energy Board of Directors met at its headquarters in Elizabeth, Illinois on Wednesday, September 28, 2011.

The following is a summary of the meeting activities. The agenda was approved as modified and the Consent Agenda was approved. There was no member presentation.

Key Accounts Meeting

There was a presentation to the Board by Ken Sivertsen on the Key Accounts Meeting held in Savanna on September 22, 2011. He reported on the success of the Metform Substation Project and the appreciation expressed by Matthias Praus of Metform along with the comments provided by ITC representative, Doug Collins.

Chairman's Report

Chairman Mattingley discussed involvement by Jo-Carroll Energy in the American Public Gas Association and referenced the NRECA Region 5 and 6 Meeting in Minneapolis.

Dairyland Report

Director Stadel commented on the Cross-State Air Pollution Rule and that there are not enough credits in Wisconsin to keep existing plants operating. He said the U.S. Environmental Protection Agency is creating difficult compliance issues.

APGA Report

CEO Hastings reported that he met with Bert Kalisch, CEO of the American Public Gas Association along with Shane Larson, CEO of Rock Energy. They had a discussion on various issues facing the industry. Chairman Mattingley and Directors Holesinger and Carroll discussed how they would approach service on the Natural Gas Policy Council.

Strategic Activity

Director Lundy reviewed Policy 102B entitled Duties and Responsibilities of the Board of Directors and recommended a motion to forward the policy to the Policy Committee for review and appropriate action which was approved.

CEO's Report—The CEO reported on the following in addition to his written report:

■ **Financial Operating Report**—The CEO reported that the Cooperative had an unaudited loss for August of (\$533,166) as August sales were down and there was a one-month lag for demand charges from the month of July.

■ **Power Supply Report**—The CEO cited ongoing efforts regarding power supply for the Cooperative.

■ **Danisco Update**—CEO Hastings reported that company representatives met with Danisco representatives regarding a revised service agreement.

■ **Biomass Plant Update**—Hastings commented on interest of potential partners for the biomass plant project.

■ **Farmers Mutual Report**—The CEO advised of continuing efforts to work with Farmers Mutual Electric Company.

■ **Badger Group Update**—Hastings described a meeting in Minneapolis with CEOs of the Badger Group. Issues of mutual concern were discussed.

■ **NRECA Region V-VI Resolutions Report**—Chairman Mattingley reviewed discussions from the Region V-VI Meeting.

■ **TCEDA Update**—The CEO advised the Board that significant progress is being made with regard to TCEDA.

■ **CFO Report**—CFO Heidenreich stated that the budget process is proceeding as planned.

■ **CAO Report**—CAO Simpson reported that Cindy Lenz continues to move forward with various projects for TCEDA. He stated that the Campbell Center activities are progressing. He said that he has met with a major architectural firm to discuss options available at the Campbell Center and commented on the Culture of Excellence process.

■ **COO Report**—COO Buros said there have been several construction hold-ups lately with broadband. He stated that work is focused on getting the backbone completed and obtaining installs for members. He reported on continued efforts to improve service and create a call center. He talked about the competitive nature of the broadband business and reviewed comments he had received recently from directors. Buros reviewed current electric upgrades which are in process and provided his own comments on the results of the Metform substation project. He also advised the Board that AMI upgrades continue.

■ **External Affairs Update**—Cox reported on information regarding efforts to improve the legislative process in Washington. He discussed

ongoing delays in passing Federal Emergency Management Act funding for areas of the Midwest negatively affected by summer storms.

Board Issues

■ **NRECA Annual Meeting, March 4-7, 2012, San Diego, CA**—The Board discussed arrangements necessary to attend.

■ **Presentation of Board Certificates**—Directors Carroll and Holesinger received their Credentialed Cooperative Director Program Certificates. Directors Mattingley, Smith and Werner received Board Leadership Program Certificates.

■ **Consideration of Rate Modification**—The Board had a complete discussion and review of the status of the financials based on lower than projected kilowatt hour sales. A motion was made to approve a power cost adjustment.

■ **Review and Approval of Letter of Credit from CFC Requested by Northern Natural Gas**—A motion was made to approve the Letter of Credit pending legal review.

■ **Review of IRS Form 990 Tax Return**—CFO Heidenreich reviewed the Form 990 for purposes of timely filing.

■ **Blood Drive – October 10, 2011 – Sign-Up Sheet**—The Board was advised of a blood drive to be held at the Cooperative Headquarters in Elizabeth on October 10, 2011, as part of the Coop Member Appreciation Days.

Reports

The board heard reports on numerous board activities since the last board meeting.

Upcoming Meetings

The board discussed the several scheduled upcoming meetings and their attendance at those meetings.

Other Business

Director Lundy agreed that he will attend the upcoming Leadership Forum for 2012. Sue Glick, Manager of Administrative Operations, will also participate in the Forum for 2012.

Adjournment

The meeting was adjourned at 2:18 p.m.

Nominations sought for board seats

Three seats on the Jo-Carroll Energy Board of Directors will be filled during the 2012 election. Any Jo-Carroll Energy member residing in the district of a director whose term is expiring, including the incumbent director, may petition for nomination as director.

Districts included are: District 5, incumbent Pat Smith of Galena; District 7, incumbent David Senn of Mt. Carroll; and District 8, incumbent Russell Holesinger of Fulton.

Members interested in being elected to the board of directors

may pick up a nominating petition at Jo-Carroll Energy's headquarters at 793 U.S. Route 20 West in Elizabeth, the Savanna office at 103 Chicago Ave. or download a petition from the cooperative's website at www.jocarroll.com.

The petition must be signed by at least 25 Jo-Carroll Energy members residing in the district for which a director is to be elected. Petitions must be filed at Jo-Carroll Energy's headquarters no later than Feb. 16, 2012. **Kelly Johnson**

In order to qualify to have their names placed on the ballot, all

nominees must participate in an orientation process provided by the attorney for the cooperative assuring that all nominees fully understand the expectations and responsibilities of directors including, but not limited to, time demands, educational expectations and fiduciary responsibilities.

All eligible candidates will be announced in the April 2012 issue of Illinois Country Living and in the 2012 Annual Meeting book. Elections are conducted by mail prior to the cooperative's annual meeting in April.

Scholarship deadlines approach

High school seniors are reminded of the upcoming deadlines for scholarships in the Thomas H. Moore Illinois (IEC) Memorial Scholarship Program and Jo-Carroll Energy scholarships.

The IEC Memorial Scholarship Program offers eight scholarships of \$1,250 each to be awarded in 2012. The deadline for entries is Jan. 1, 2012.

Jo-Carroll Energy offers five scholarships to sons and daughters of Jo-Carroll Energy members. Two scholarships are awarded in both Jo Daviess and Carroll counties and one in Whiteside County. The deadline for entries is Jan. 31, 2012.

Complete details and application forms can be found on the cooperative's website at www.jocarroll.com



Coffee with your Co-op



Jo-Carroll Energy

A Touchstone Energy® Cooperative
The power of human connections®

Have you ever wondered about the status of Jo-Carroll Energy's proposed biomass power plant, AMI meter technology, or the meaning of cooperative membership?

A series of Coffee with your Co-op sessions will happen throughout the Jo-Carroll Energy service territory starting in November. Jo-Carroll Energy district directors and our CEO will be available in your hometown to answer your questions about your cooperative. Visit www.jocarroll.com for more information about directors and these upcoming events.

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www.jocarroll.com

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Jo-Carroll Energy hosts Member Appreciation Days

Jo-Carroll Energy hosted Member Appreciation Days at its Elizabeth and Savanna offices on Oct. 10-11 in observance of October Co-op Month and to kick-off celebrations for the International Year of Cooperatives.

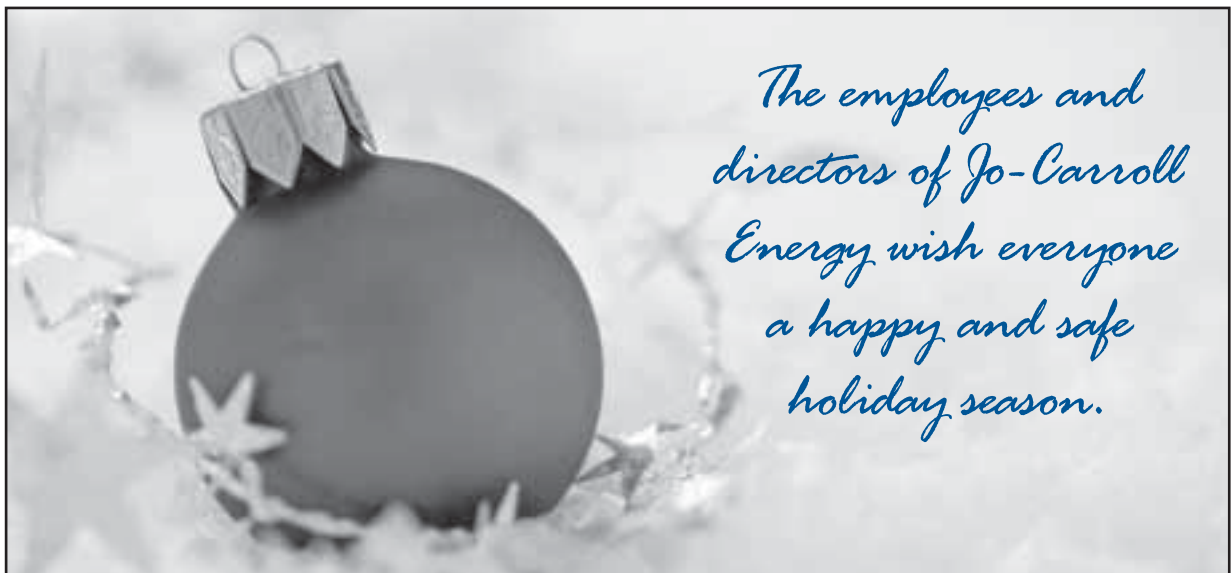
Co-op employees and board directors greeted members and served a light lunch of hot dogs, chips and milk — from a local dairy cooperative. Guided tours of Jo-Carroll Energy headquarter facilities were offered.

Members were encouraged to bring along a donation for area food pantries as the cooperative started its annual “Light Up the Holidays” food drive. Members received a CFL in exchange for their donation.

Drawings were held at each office for gift baskets featuring cooperative products and “goodies” from a variety of local, regional and national cooperatives. Jo-Carroll Energy members could sign up for a drawing to win a complete home energy audit and basic weatherization project to be completed by the cooperative’s own energy advisor John Scott, assisted by other Jo-Carroll Energy employees.



Copies of the 2012 TogetherWeSee Photo Calendar, featuring photography by Jo-Carroll Energy members, were distributed also. Entries are being accepted now for the 2013 member photography contest calendar.



The employees and directors of Jo-Carroll Energy wish everyone a happy and safe holiday season.

CSAPR set to take effect January 1

The Environmental Protection Agency (EPA) continues its series of regulations that affect electricity generation, with the Cross-State Air Pollution Rule (CSAPR) set to take effect Jan. 1, 2012.

Under the rule, which was finalized in July and revised in October, power plants in 27 states will be required to limit sulfur dioxide and nitrogen oxides emissions that affect air quality in other states.

CSAPR replaces the Clean Air Interstate Rule (CAIR), issued in 2005. CAIR was vacated by the United States Court of Appeals for the District of Columbia Circuit in 2008. The court instructed EPA to make revisions to CAIR and, until the revisions were made, the CAIR rules would temporarily stay in place.

During this time, Dairyland Power Cooperative (one of our power suppliers), has made major reductions in emissions of sulfur dioxide, nitrogen oxides and particulate matter by investing in new air emission control equipment. For example, Dairyland installed fabric filter “baghouses,” designed to remove more than 99.5 percent of particulate matter from the exhaust gas stream, at Genoa Station #3 (G-3) and the John P. Madgett Station (JPM) in 2007. These baghouses remove 7,000 pounds per day more particulate matter compared to previous controls.

Dairyland is currently in the midst of a \$400 million air emission control plan at its electric generating facilities. When this plan is complete, Dairyland’s sulfur dioxide emissions will be reduced by over 90 percent. This will be in addition to the 80 percent reduction of sulfur dioxide emissions by Dairyland since the early 1970s. Nitrogen oxides emissions will be reduced by over 50 percent across the Dairyland system.

Dairyland installed a semi-dry flue gas desulfurization system, or “scrubber,” to remove sulfur dioxide at G-3

in early 2010, and a similar sulfur dioxide scrubber is planned for JPM. Dairyland has also installed equipment to reduce emissions of nitrogen oxides (NOx) at JPM, G-3 and its Alma units 4 and 5.

While Jo-Carroll Energy embraces efforts to provide a cleaner environment, the cooperative is concerned about the overall trend of dramatically increased regulation by EPA and believe it’s important to make sure the rules proposed and enacted are reasonable measures that make sense for our members.

The new CSAPR is significantly more stringent than CAIR and allows very little time to comply. Beginning Jan. 1, 2012, CSAPR establishes emissions limits for each state and each electric generating unit (called allowances). The number of allowances provided for Dairyland’s power plants and most other affected utilities, is significantly less than needed to meet typical generation requirements.

Cooperative leaders are very concerned that CSAPR will drive our energy costs up considerably. The air emission controls already installed at Dairyland’s plants are not enough to meet these new allowance limits. The additional air emission controls planned by Dairyland can not be installed before the CSAPR limits are in effect. While excess allowances may be traded under the rule, there is some concern that there will not be enough allowances available to cover all of the emissions from utilities in the state.

Since it is impossible for Dairyland to install additional planned air emission controls by the 2012 start of CSAPR and allowance trading is questionable, Dairyland and other utilities may be required to reduce generation to comply with CSAPR. If they curtail production at their facilities it may require the purchase of power from a higher priced marketplace, which will likely increase our costs.

EPA claims that the Cross-State Air Pollution Rule will help avoid tens of thousands of premature deaths and illnesses, achieving billions of dollars in public health benefits. On a national level, EPA estimates the rule will cost \$800 million annually by 2014, on top of roughly \$1.6 billion per year in capital investments already underway as a result of the CAIR. The Brattle Group (Economic and Financial experts) estimates the rule could cost up to \$120 billion by 2015 and reduce the nation’s power supply by more than 55 gigawatts (almost 4 percent).

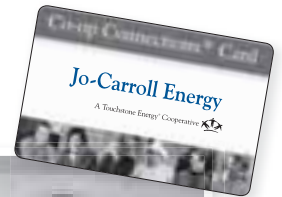
National Economic Research Associates (NERA) found that CSAPR, together with another proposed rule called Utility MACT, will result in net employment losses of over 1.4 million job-years by 2020. While EPA claims the regulations would create jobs, the NERA analysis projects that four jobs are lost for every job created.

Jo-Carroll Energy and Dairyland have made significant investment and effort to comply with environmental regulations. But, we have serious concerns about the cost to consumers that these recent regulations would impose.

Dairyland staff is working diligently with technical experts throughout the industry to find solutions that will minimize the impact on electricity prices for consumers. Dairyland is asking EPA and a court to stay the rule, make modifications to the rule and provide reasonable time to comply.

Jo-Carroll Energy and Dairyland are committed to improving our environment. All we are asking for is sufficient time to make the required modifications at our power plants to meet the new rules, something which CSAPR does not provide us. We don’t think that is fair. Join with us in urging Congress to enact realistic and economically suitable energy policies that will benefit all Americans.

Kunes Country Auto Group, Mt. Carroll



Come see the people you know at Kunes Country Auto Group. This local Ford, Chrysler, Jeep, Dodge, Chevrolet and Buick dealer opened the doors in August of 2005 and today, Kunes Country Auto Group holds over 170 vehicles on the lot and employs twenty of your neighbors in Carroll County.

As everyone got together for a “family” photo, it was clear to see that the staff at Kunes Country Auto Group work as a team to take care of the customer. Sales, service and everyone in between strive to be

there for the customer. Even a three minute break to take a photo worried the staff for fear of missing a call from a customer.

Call or stop in to see what is new, including the Chevy Volt among many new efficient and eco-friendly models. Kunes has everything for everybody ranging as low as twenty five hundred to over sixty thousand dollars. If you do not see the vehicle for you in the Mt. Carroll lot, Kunes Country will find it for you overnight. Within the Kunes Country network of four dealerships within Illinois and Wisconsin, you know you’ll get what general manager Mike Melhus calls “small town service with big business benefits”.



“Kunes Country is a one-stop-shop”, said Jeff Elliot, sales manager. With all three manufacturers, Chrysler, Ford and GM, on the lot and a Certified Technician for each you do not have to find another service provider. Kunes Country even goes far enough to provide you a temporary replacement vehicle while yours is cared for at the shop.

Commitment to the customer reaches into the community through chamber membership as well as serving many local organizations. “Sports booster fundraisers and providing rides to the airport for the Haiti mission team are just a few examples of Kunes Country’s local involvement”, recalled office manager, Sue Simpson.

Employees of Kunes Country Auto Group know that they are cared for by the Kunes Country network and know it is their responsibility to take care of customers like you. Stop in for end-of-the-year promotions and test drive the new 2012 models.

Kunes Country Auto Group in Mt. Carroll provides Jo-Carroll Energy members a free Brite-O-Matic Car Wash with any service or bodyshop work when they present their Co-op Connections Card. Visit the staff at 200 W. Commercial Street or www.kunescountry.com for more information.

HOLIDAY CLOSINGS

Jo-Carroll Energy will be closed on Friday, Dec. 23 and Monday, Dec. 26 for the Christmas holiday and on Monday, Jan. 2 for New Year’s.



Neighbor to Neighbor Care Funds offer help when needed

If you need assistance paying your energy bill this winter, help may be available through Jo-Carroll Energy's Neighbor to Neighbor Care Funds.

This program works in tandem with the Low Income Home Energy Assistance Program (LIHEAP).

If funds are available, you may receive a grant from the Neighbor to Neighbor funds. To find out if you qualify, contact your respective agency below to start the application process:

- Northwestern Illinois Community Action Agency (NICAA) :Jo Daviess County. 1-815-232-3141
- Tri-County Opportunities Council: Carroll and Whiteside counties. 1-800-323-5434


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**Light
Up
the
Holidays**

Help brighten someone's holiday and take part in Jo-Carroll Energy's annual holiday food drive.

Donations of nonperishable items will be accepted at Jo-Carroll Energy's offices in Elizabeth and Savanna through Dec. 22.

Donated items will be distributed to food pantries in the cooperative's service territory. Last year cooperative employees and members donated more than 850 pounds of nonperishable foods, paper goods and other items.

Those who contribute to the food drive will receive a CFL.



Invite safety home for the holidays

It's easy to get caught up in the hectic pace of holiday entertaining—cookies to bake, decorations to hang, presents to wrap. But don't overlook safety during the rush. The winter holiday period marks peak time for home fires and preventable injuries.

The good news is that it's not difficult to make your home ready to safely host all of your favorite holiday activities.

First, take time out from your party preparations to test your smoke and carbon monoxide alarms. Smoke and carbon monoxide alarms should be installed on every level of the home and outside each sleeping area. Smoke alarms should also be located inside each bedroom. Be sure to share your family fire escape plan with any overnight guests.

Arrange your holiday decorations to avoid overloading electrical outlets with too many lights, cords, or appliances. Inspect all decorations, cords, and outlets for damage before use. Keep electrical cords out of doorways and high traffic areas where they pose a tripping hazard. Do not damage cords by pinching them or attaching them with staples or nails.

Keep young visitors safe by preparing your home before they arrive. If your home is not already "child proof," install tamper resistant receptacles or use safety covers on all unused electrical outlets. Store breakables, candles, matches, and other potentially dangerous items in inaccessible or locked areas. Don't forget to put away small items, like buttons, coins, and jewelry, which are a choking hazard. Use safety gates at the top and bottom of stairways to keep babies and toddlers safe.

Safety doesn't stop when the party starts. Keep decorations, gifts, and other combustibles at least

3 feet from heat sources or open flame. Never leave the kitchen when something is cooking. Make sure children are supervised at all times in the kitchen and anywhere space heaters, candles, or fireplaces are being used. Turn off and unplug all decorations before leaving home or turning in for the night.

Remember that a safe and happy holiday remains the best gift you can give friends and family.

Source: *Electrical Safety Foundation International*



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A black and white photograph of a hand holding a small gift box. The hand is emerging from a laptop screen. In the foreground, the keyboard and trackpad of the laptop are visible.

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