



75th Annual Meeting attendance good despite snowfall

Members of Monroe County Electric Co-Operative were updated on the organization's financial condition and its commitment to achieve a balance between reliable, affordable power and safeguarding the environment during the co-op's 75th Annual Meeting of Members held Monday, March 25, at the Hecker Community Center.

Board Chairman Larry Kraft welcomed the group to the meeting and took the members on a 75-year trip down memory lane. He reminded the audience that although the members of the cooperative have changed, the cooperative is still offering the same reliable, safe and affordable power today as it always has.

President/CEO Alan Wattles reported that during 2012 Monroe County Electric spent considerable time and resources to improve system reliability and reduce the number and length of outages and blinks. The improvements included changing out line and inspecting and replacing poles and transformers. Because of these efforts, the reliability rate for the co-op was 99.96 percent for the year. "Our five-year average stands at 5.17 hours per consumer per year, a 99.94% average," said Wattles.

Financially, the not-for-profit cooperative had negative margins of \$424,702, which should be offset by future year positive margins until they are eliminated off the balance sheet. Although the cooperative

had no margins to allocate to members for 2012, it returned \$403,154 in capital credits to members who received power in the year 1988 and the first half of 1989, and to the estates of deceased members.

"This continues to be part of the strategic plan by the board to get back to a 20-year cycle of capital credit retirements," said Wattles. At the end of 2012, the cooperative had returned a total of \$4,279,636 in capital credits. Returning capital credits is a major factor that sets co-ops apart from investor-owned utilities.

A recent cost of service study prompted the member-elected board of directors to re-evaluate rates and how bills are presented to members. Starting April 1, 2013, members in certain classes will see slight increases, and bills will now reflect a distinction between distribution costs and energy costs and eliminate the declining block energy rates. The changes will help the co-op become financially strong and stable for the future and not as reliant on hot or cold weather to make margins.

Wattles said, "We have started



The re-elected Monroe County Electric Co-Operative directors, shown with President/CEO Alan Wattles, left, are (l-r) Gary Gregson of Waterloo, Joel Harres of Columbia and Manlee Knobloch of Fults.

to take these steps to produce the results we believe will help us in the future. We know these changes won't produce all the results we want overnight but it is a journey. We feel these steps will help take us through another 75 years of service and reliability for our members."

During the meeting there was considerable discussion on the topics of coal-fired power, renewable energy and environmental regulations. Kraft encouraged co-op members to voice their opinions to elected and appointed officials who set policy in this area. He said, "It will be up to you, the owners of this cooperative, to be voices of reason in the discussion on achieving a balance between reliable affordable power and safeguarding the environment."

(Continued on page 16c)

Get your reflective address sign through the Waterloo Fire Department

The Waterloo Fire Department is offering reflective address signs for anyone that would like to make their address more visible to emergency responders.

You can get a 6- x 18-inch blue or green reflective sign made either vertically or horizontally and either one or two sided. These signs can be put on a mailbox or at the end of your driveway to help emergency responders find your home easier.

To get your reflective address sign for \$10, call the Waterloo Firehouse at 939-8009 or e-mail a request to wfd@htc.net and someone will contact you to take your order.



Preserve Your Peace of Mind.

Buy the new Marathon Water Heater, and you'll get more than your money's worth. You'll get peace of mind knowing it is guaranteed to last as long as you own your home. Contact us to learn more about the Marathon program we offer.

Marathon Models

Gallon Capacity	Energy Factor	Diameter	Height
50	.94	23 1/2	66 3/4
85	.92	28 1/4	70 1/4

Meets ASHRAE standard 90A

Marathon 

© Copyright 2003
Marathon is a registered trademark of Water Heater Innovations, Inc. P/N 241000 04/03


- Seamless Polybutylene Tank will never rust, corrode or leak.
- Envirofoam® Insulation completely surrounds the tank. You get the most efficient water heater on earth without hurting the planet. Marathon meets EPA standards well into the 21st century.
- Heating Elements reliably maintain water temperatures and are designed to operate in the harshest environments.
- Bowl-Shaped Tank Bottom so you can drain your Marathon more completely.
- Up Front and Handy Drain Valve is neatly recessed and won't get knocked around by brooms, mops, vacuums and kid-honking toy trucks.



Don't Worry About Leaks

Sizes Available
50 & 85 Gallon Models

Call us for details,
or visit our website

 Monroe County Electric Co-Operative
Your Touchstone Energy® Partner 

5960 Old Red Bud Road
Waterloo, IL 62298
1-800-757-743
www.mcec.org

MCEC Line Outages - March 2013

Time Off	Duration	# Out	Location	Cause Desc	Sub
03/06/13	0:18	921	Smithton Area	Power supplier	Smithton
03/06/13	0:17	776	New Athens Area	Power supplier	New Athens
03/18/13	1:12	456	Konarcik Rd	Vehicles or machinery	Waterloo
03/24/13	2:26	4	State Rt 163	Ice, sleet, frost	East Carondelet

Monroe Electric News

16b • Illinois Country Living • www.icl.coop

*“Annual Meeting” continued from
page 16a*

In other business, Kraft announced that Concordia Water Cooperative will be receiving a USDA Rural Development loan later this year. He said, “This project of bringing potable, safe water to 180 homes could only have been done as a cooperative. No other business model would work.” Kraft and three other Monroe County Electric board members have spent considerable time working towards making the water project a reality.

During the meeting, Joel Harres of Columbia, Gary Gregson of Hecker and Manlee Knobloch of Fults were re-elected to the cooperative’s board of directors. In addition, special recognition was given to Rick Liefer, who has served on Monroe County’s board of directors for 25 years.

Monroe County Electric Co-Operative is a member of Touchstone Energy® — an alliance of more than 740 local, consumer-owned electric utilities around the country. Monroe County Electric is committed to providing superior service based on four core principles: integrity, accountability, innovation and commitment to community. The co-op serves more than 7,154 members over 1,209 miles of line in parts of Monroe, Randolph and St. Clair counties. For more information visit www.mcec.org.

Historically low energy prices can’t last Electric co-ops are prepared for long-term price pressures

To introduce myself, for the past several years I served as Director of the Illinois Power Agency (IPA). The IPA is the state agency created in 2007 by the Illinois General Assembly to purchase wholesale power for certain customers of Ameren and ComEd, the state’s investor-owned electric utilities. In October 2011, I started a consulting service and now advise communities on their energy purchasing options.

In my current capacity as an energy consultant, my job is price hedging. I identify risks, handicapping them for probability, and then explore what I can do to avoid those risks.

Prices for the electricity commodity have been driven lower largely by demand erosion due to the troubled economy. Since we entered into this recession in 2008, Illinois has seen about a 9 percent decline in industrial demand. The big question is how long will this low electricity commodity price market continue.

Conventional wisdom from the U.S. Department of Energy (DOE) indicates that the current price of 9.8¢ for a kWh of electricity will drop to 9.2¢ by 2019. Without meaning to sound too critical, I would suggest that the Energy Information Administration has perhaps overemphasized the role of low natural gas prices in making its projections. Their projected future electricity prices appear to me to be artificially low based on overly high expectations for new natural gas supplies.

The U.S. DOE claimed that 410 trillion cubic feet of recoverable shale gas was available in the Marcellus

formation. The U.S. Geological Society, the guys who know about dirt and rocks, claim that only about 84 trillion cubic feet are available. In addition, any increases in regulatory requirements on natural gas “fracking” will likely reduce supplies and increase prices.

Even if we get all of that supply to market, will prices stay low forever? The answer is no. In Europe and Asia, they will pay \$12 to \$15 a million btu for natural gas. We are paying \$2 to \$3 so there is a profit incentive to get it from here to there. We are turning liquefied natural gas import terminals into export terminals. I believe that retail electricity prices will likely rise by 75 percent by 2019. And, I also see natural gas above \$6 – or roughly double the current spot price.

Electricity prices are driven by multiple elements including generation supply, transmission and distribution.

On the generation supply side, there is significant potential for base load generation retirement, and the rate of public plant closure announcements is increasing.

Can the effects of these retirements be offset by new renewable generation? Likely not, because 50 megawatts of wind or solar generating capacity is not the same as 50 megawatts of dispatchable generation. Renewables may be the preferred policy option today, but they’re not the total solution to replacing lost base load generation.

So where will replacement generation come from? Frankly, I don’t

(Continued on page 16d)

Monroe County Electric Co-Operative, Inc.

6132 State Rt. 3, P.O. Box 128, Waterloo, Illinois 62298 • 618-939-7171
Office hours: Monday through Friday 7:30 a.m. to 4:30 p.m. • 800-757-7433

know, because that's a policy issue that has been ignored for the last 15 years in the deregulated states. We don't have a mechanism in the deregulated world to build new base load power plants. There is not a 30-year contract model to support the capital necessary to build a new plant.

So, we have a situation where generating capacity is going off line but we don't have new capacity coming on line. I think we can all agree that this will cause upward price pressure. More importantly, an economic recovery will drive up energy demand. At the first sign of true economic recovery I expect to see a lot of upward price pressure in electricity markets.

Transmission also has some upward price pressures. We're starting to see some plans from regional transmission operators that predict higher costs. PJM, which manages transmission in the northern part of the state, estimates that about \$14 billion in transmission system upgrades are necessary just to deal with plant closures. Additionally, PJM estimates that integrating new renewables into the system will cost around \$60 billion.

Distribution costs are also likely to rise. The investor-owned utilities are spending significant sums of money to make long-overdue system reliability upgrades and all of this drives up distribution costs.

All of these items, and more, lead me to believe that electricity costs for consumers are going up.

Where does municipal aggregation fit into all of this? Municipal aggregation allows a county, city or village

located in the ComEd or Ameren territories to step in and negotiate an electricity supply contract for their residents. Right now, municipalities are able to achieve significant discounts off the Ameren or ComEd energy rates for the short term. The ability to book those kinds of savings as a practical matter will basically end in May of 2013.

My suspicion is that more than half of the municipal aggregations that have been formed will probably go away within two years. Municipalities are generally not risk managers, and their residents can leave the aggregation if prices get too high.

First, it is important to remember that value is more than a low price. For example, electric co-ops are ahead of investor-owned utilities in terms of adding smart grid options. This new technology adds value in terms of reliability and pricing options. Co-ops are in many cases also providing rural broadband, or helping with rural water system expansion and other economic development projects. That's added value.

Second, remember that price stability is also a value. The electric market prices change every 5 minutes. Electric co-ops have ownership in real generating assets that are going to protect members from rising prices over the long-term. While the municipal aggregation approach is yielding some short-term savings, we suspect that their prices will pop up when the economy recovers largely because they do not invest in generating assets.

Third, remember that today is not

forever. We can all remember not long ago when they said we were running out of natural gas. I also remember something about nuclear plants making electricity too cheap to meter. We all know that the market changes, and that prices rise faster than they fall. Electric co-ops have taken crucial steps to prepare for the coming market changes.

Lastly, there will always be people who will question and criticize every decision any leader makes. When you look at the long term, someone will say you should've gone short. When you buy, someone will say that you could've sold. I see price pressures and instability in today's electricity markets. My belief is that electric co-ops have laid out long-term plans and will be better positioned than the rest of the market when prices rise.

My Sunday school teacher used to ask, "When did Noah build the Ark? It was before the rain." It was hard for Noah, with years and years of effort and everyone wondering why he did it. I personally believe that the state's electric co-ops are doing the hard work necessary in the current challenging times to prepare for the long-term best interests of their members. And, I would suggest that co-op members are likely to be thankful in the future for the foresight that co-op leaders have demonstrated.

Mark Pruitt, former Director of the Illinois Power Agency, currently is the Principal of the Power Bureau, LLC, an energy consulting firm.

Do it all at www.mcec.org!

- **Pay your bill online**
- **View past history of electric usage**
- **See how your electric usage changes with temperature**
- **Stay up-to-date on your co-op news**
- **Learn ways to save on your bill**

