



Shane L. Larson,
Chief Executive Officer

Report from the Chief Executive Officer and the Chairman



Darrel Weber,
Chairman of the Board

At the 2011 Annual Meeting, we honored the co-op by honoring our past and celebrating the 75th anniversary of the founding of this co-op. But just as electrifying the countryside didn't occur in a year's time, neither will our celebration.

In 2012, we'll observe the 75th anniversary of lights being turned on for the first time at a Rock County farm. On July 15, 1937, a crowd gathered at the J. O. Woodman farm in La Prairie Township to celebrate the arrival of electricity to rural Rock County. An engineer climbed a utility pole that morning to turn on the first electricity used by Rock County Electric Cooperative Association. Lights came on, and an electric whistle sounded to celebrate the occasion.

By the end of the day, 122 miles of line were energized and farmers who had been accustomed to firing up kerosene lanterns when the sun set instead just flipped a switch to light up their homes and barns. Finally, rural folks had the same convenience that city residents had enjoyed for years.

We hope you'll join us on Monday, March 26, for the co-op's 2012 Annual Meeting, where we'll continue our 75th anniversary celebration and commemorate the fifth anniversary of the co-op acquiring the electric and natural gas assets of South Beloit Water, Gas & Electric from Alliant Energy. On Feb. 6, 2007, the number of meters served by this co-op nearly quadrupled as we welcomed the communities of South Beloit and Rockton, Roscoe and Rockton townships, and the Lake Summerset area into our cooperative family.

Also at our annual meeting, we'll recognize 2012 as International Year of Cooperatives. The cooperative business model has stood the test of time both locally and throughout the world, truly deserving the proclamation issued by the United Nations General Assembly.

Co-ops have proven to be an effective means to help people meet common needs through jointly owned and democratically controlled enterprises. In simple

terms, co-ops make it feasible for a group of people to accomplish what an individual might struggle to do alone. The business model works for dairy farmers and small business owners, financial institutions, grocery stores, and electric companies. Co-ops form to fill a community need, giving a voice to folks that profit-driven businesses often overlook.

Together, co-ops help build a better world. In this annual report, we'll tell you some of the things that are happening at Rock Energy to help improve our own little piece of the planet.

The Red Hawk Substation came on-line last winter to serve the increasing demand for electricity in the Milton Township area and support anticipated growth of the Milton Crossroads Business Park. The substation also provides additional backup support for neighboring townships, which is vital to ensure the reliability of service to members.

With the Red Hawk addition, Rock Energy now operates 14 substations that serve more than 17,000 electric meters along 1,300 miles of line in southern Wisconsin and northern Illinois. Our substations are strategically located throughout our service territory and are interconnected in a way that allows nearby substations to back each other up if a problem arises at one of them. That interconnectivity ensures the reliability of our electrical distribution.

At Rock Energy, we're proud of the reliable service we provide to our members and believe that the new substation is an investment that will benefit our members and the communities we serve well into the future.

Also in 2011, more members started using our Prepaid Energy Option, which is a pay-as-you-go plan that allows members to pay for power as they use it rather than making one payment for the energy they used in the previous month. More than 450 people have signed up for the program since its inception in October 2010. It's a new way to pay energy bills, but the concept isn't new





at all. We buy groceries, gasoline, and countless other goods and services when we need them and can afford them. Besides being easier on the budget, prepaid energy is a way for people to be more aware of how much power they're using. In fact, members who prepay generally use less energy than folks on traditional billing because the program empowers them to manage their energy use in a way that best suits their individual situations.

Financially, the cooperative is in good shape. All obligations and requirements in 2011 were satisfied, and we are forecasting another positive year in 2012. Because we put people first, our rates are set simply to cover the cost of doing business, not to generate profits for distant stockholders. At the end of each year, any margins that exceed annual costs are allocated to members in the form of capital credits. In 2011, Rock Energy distributed more than \$600,000 in capital credits to members. In our 76 years of doing business, about \$10 million has been paid back to past and current members.

Members' financial participation in Rock Energy is part of what we call "the cooperative difference," one of the many qualities that make energy co-ops different from other types of utilities. We don't need to worry about making a profit for out-of-town investors. We exist for you—the people we serve. That's why we refer to you as members, not customers.

As members, you also can participate in the democratic process of the co-op by electing fellow members to represent you on the board of directors. At the March 26 annual meeting, members will elect directors in three districts and consider a change in the bylaws. See the back cover for details.

In 2011, the membership elected two new directors, Michael Duffy and Ronald Richards, replacing two retiring directors with a combined total of 67 years. Stanley Dybevik retired from the board after 40 years of service, including 14 years as chairman, 16 years as secretary, and several years as treasurer. Earlier this year, Stan received the ACE (Ally of Cooperative Electrification) Award from the Wisconsin Electric Cooperative Association.

The award is WECA's highest honor, given annually to recognize service to the rural electric program above and beyond the routine performance of duties. Robert Crave left the board after serving 27 years as a director, including many years as secretary. He also was chairman of the building committee for the Illinois office and warehouse project. We are extremely grateful to both men for their dedication to the co-op over the years.

The cooperative difference that we mentioned earlier doesn't just apply to providing safe and reliable energy at affordable prices. Our members also receive special benefits through programs like our Co-op Connections Card. In addition to discounts at local merchants and savings on prescription drugs, the card now provides a new Healthy Savings package with price reductions

on vision, dental, hearing, lab imaging, and chiropractic care. We're proud to report that the Connections Card has saved Rock Energy members more than \$45,000 on prescriptions since it was deployed. This new package will help save members even more money. Your new card will be mailed with your monthly statement in late March or April.

The Co-op Connections Card is brought to you through Rock Energy's partnership with Touchstone Energy, an alliance of cooperatives dedicated to providing reliable,

high-quality service at competitive prices. Touchstone Energy also operates the TogetherWeSave.com website, which is built on the concept that members can control their energy costs through simple measures. These simple, energy-saving actions can turn into big savings. If you haven't visited the site, we encourage you to check out the many useful energy-saving tips.

Rock Energy is committed to providing members with safe and reliable energy at an affordable cost, and individual co-op members can participate through the Our Energy, Our Future campaign. The national, grass-roots movement engages co-op members in a conversation with elected officials about how the country can meet climate change goals while keeping energy affordable. You can join the 538,736 co-op members from around the nation

(Continued on page 16d ▶)



The new Red Hawk Substation will serve the increasing demand for electricity in the Milton Township area and support anticipated growth of the Milton Crossroads Business Park.

Rock Energy Cooperative

Statements of Revenue & Patronage Capital

(subject to audit)

	Years Ended December 31,	
	2010	2011
Operating Revenue	\$50,957,429	\$52,094,387
Operating Expenses:		
Cost of Power	37,202,352	37,615,221
Distribution – Operations	1,800,683	1,779,879
Distribution – Maintenance	1,292,583	1,431,182
Member Accounts	1,075,510	1,169,549
Member Service & Information	294,395	338,685
Administrative & General	1,920,729	1,795,283
Depreciation	2,626,123	2,713,359
Taxes	233,397	346,620
Other Deductions	4,289	4,410
Total Operating Expenses	<u>46,450,061</u>	<u>47,194,188</u>
Operating Margins - before Fixed Charges	4,507,368	4,900,199
Fixed Charges:		
Interest on Long-Term Debt	2,311,238	2,234,721
Interest on Short-Term Debt	91,595	95,912
Total Fixed Charges	<u>2,402,833</u>	<u>2,330,633</u>
Operating Margins - after Fixed Charges	2,104,535	2,569,566
Patronage Capital Allocations	<u>279,411</u>	<u>229,841</u>
Net Operating Margins	2,383,946	2,799,407
Non-Operating Income:		
Interest Income	161,952	249,161
Equity Investments & Other	152,961	53,010
Total Non-Operating Income	<u>314,913</u>	<u>302,171</u>
Net Margins for Period	2,698,859	3,101,578
Patronage Capital – Beginning of Period	<u>16,886,196</u>	<u>18,869,365</u>
	<u>19,585,055</u>	<u>21,970,943</u>
Retirement of Capital Credits	<u>715,690</u>	<u>832,340</u>
Patronage Capital – End of Period	<u>\$18,869,365</u>	<u>\$21,138,603</u>

Balance Sheets

(subject to audit)

	As of December 31,	
	2010	2011
ASSETS		
Utility Plant:		
In Service	\$81,150,642	\$84,482,303
Construction Work in Process	1,628,238	719,405
	82,778,880	85,201,708
Less: Accumulated Depreciation	28,307,851	30,542,015
Net Utility Plant	<u>54,471,029</u>	<u>54,659,693</u>
Investments:		
Associated Organizations	3,331,130	3,426,672
Other Investments	1,352,527	1,433,594
Total Investments	<u>4,683,657</u>	<u>4,860,266</u>
Current Assets:		
Cash & Temporary Investments	57,374	152,814
Accounts Receivable	5,519,848	4,709,300
Inventory, Materials & Supplies	1,601,285	1,589,684
Other current assets	308,819	171,180
Total Current Assets	<u>7,487,326</u>	<u>6,622,978</u>
Deferred Debits	-	-
Total Assets	<u>\$66,642,012</u>	<u>\$66,142,937</u>
EQUITIES & LIABILITIES		
Equities:		
Patronage Capital	\$18,869,365	\$21,138,603
Other Equities	529,615	627,057
Total Equities	<u>19,398,980</u>	<u>21,765,660</u>
Long-Term Obligations	35,251,499	34,445,046
Current Liabilities:		
Current Maturities of Long-Term Debt	970,726	779,646
Notes Payable – Line of Credit	1,342,365	1,953,928
Accounts Payable	6,516,199	4,038,062
Member Deposits	495,016	410,232
Accrued Taxes	376,513	446,144
Other Current Liabilities	1,569,976	1,605,175
Total Current Liabilities	<u>11,270,795</u>	<u>9,233,187</u>
Deferred Credits	<u>720,738</u>	<u>699,044</u>
Total Equities & Liabilities	<u>\$66,642,012</u>	<u>\$66,142,937</u>



Stanley Dybevik's family joins him on stage after he accepted the ACE Award.

Retired Rock Energy Director Wins State Honor

Stanley Dybevik, who served on the Rock Energy Cooperative Board of Directors for 40 years, received the ACE (Ally of Cooperative Electrification) Award on Jan. 17 at an awards banquet in Madison.

The Wisconsin Electric Cooperative Association gives the ACE Award annually to a person who has performed beyond the routine call of duty in personal commitment and service to electric cooperatives. Dybevik retired as co-op director in March 2011 after serving 40 years on the board, including 14 years as chairman.

“Rock Energy has benefitted immensely from Stan’s

40 years of service to the co-op,” Shane Larson, Rock Energy’s chief executive officer, said in nominating Dybevik for the award. “He was one of the most committed board members I have ever encountered, and I admire his ability to look into the future to see what’s best for the co-op. His loyalty, dedication and enthusiasm are greatly missed.”

On the statewide level, Dybevik was elected to a three-year term on the Wisconsin Electric Cooperative Board in 2006. During his term, he served as vice chairman for one year and was a member of the WECA legislative committee and the Federated Youth Foundation Board, which oversees the money used for scholarships and community projects.

When accepting the award, Dybevik said, “This is an honor that I will remember always and cherish always.”

During his 40 years on the board, Dybevik always said that the best part about being a director is “just being part of a great national movement and the co-op family, serving with so many great directors and employees.”

Dybevik was one of those great directors and certainly is an Ally of Cooperative Electrification. ■

CEO & Chairman’s Report

(Continued from page 16b)

who already have contacted their lawmakers by visiting www.ourenergy.coop.

It seems inevitable that more stringent federal restrictions on power plant emissions and increased state renewable energy requirements will increase the cost of doing business and add to consumers’ energy bills. New regulations won’t be the only culprit. Prices for fuel, materials, and equipment will continue to rise, but electricity overall remains a great value. On average, Rock Energy members pay a little more than \$3 a day for electricity to run their appliances, light their homes, and power their electronic devices.

Please join us on Monday, March 26, as we celebrate 2012 as International Year of Cooperatives and the impact co-ops make on our daily lives. By uniting neighbors and friends to meet common needs, cooperative enterprises like Rock Energy build a better world. ■



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