



Report from the Chief Executive Officer and the Chairman

'We're Committed to You'

Shane L. Larson,
Chief Executive Officer



Darrel Weber,
Chairman of the Board

Rock Energy Cooperative is proud to provide you—our members—with safe and reliable energy at an affordable cost. You expect that from your energy provider, and we have consistently fulfilled that expectation for 77 years.

But Rock Energy goes beyond serving that basic need. We strive to exceed your expectations every day in everything we do. We want to go further and do better, from providing superior member service to offering programs that help you save time and money. We do all this because “We Are Committed to You,” the theme of this year’s annual report.

As we reflect on the co-op’s accomplishments of the past year, we realize that everything comes back to that one simple phrase.

Our lineworkers routinely work in rough weather and put in long hours. Our member services representatives strive to make sure you have a positive and satisfying experience when you call or visit our office. We offer programs to make paying your energy bill easier and more convenient. We continually explore new technologies to improve service reliability. We do all these things and more because we’re committed to you.

Rock Energy celebrated several milestones last year—the 75th anniversary of the first electricity distributed by the co-op and the fifth anniversary of welcoming Illinois members to our co-op family.

On July 15, 1937, Rock County Electric Cooperative Association, which is now Rock Energy, energized 122 miles of line in La Prairie, Bradford, Turtle, and Clinton townships in Rock County and Darien and Sharon

townships in Walworth County. People who lived in the country finally had the same convenience that city residents had enjoyed for years.

The farmers had requested power from the local utility company, but they repeatedly were told that it was not economically feasible. Company officials determined that it would be too costly to run power lines outside of municipalities, and they didn’t think farmers would use enough power to make the venture profitable. Undiscouraged, the farmers formed a cooperative to provide electric power to the countryside, something desperately needed for progressive farming and ultimately improving the lives of rural folks.

The co-op continued to grow through the years, but the biggest expansion occurred on Feb. 6, 2007, when the number of meters served nearly quadrupled as we started serving the communities of South Beloit and Rockton, Roscoe and Rockton townships, and the Lake Summerset area. The co-op had acquired the electric and natural gas assets of South Beloit Water, Gas & Electric from Alliant Energy.

In one day, we went from 6,800 accounts to more than 25,000. We went from providing just electricity to our Wisconsin members to delivering both electricity and natural gas in Illinois. The mostly rural co-op was developing into one that also serves entire municipalities and more commercial and industrial members.

System Upgrades

Rock Energy continued upgrading its distribution system during 2012. A total of 10,000 feet of natural gas main was installed to improve reliability in the South Beloit and Rockton areas as



A natural gas pipe measuring about 700 feet was floated over the Rock River along Prairie Hill Road in South Beloit. After 40-foot sections of plastic pipe were melded together, workers used a stringing machine to pull the pipe across the river so it could be installed underground on the west side.



well as west of the Rock River. The project started on Prairie Hill Road at the South Beloit Industrial Park near Wendy's and continued under the Rock River to South Bluff Street, then north to the entrance of Twin Oaks Subdivision, and south to Yale Bridge Road. Gas mains also were installed along Nazarene Drive, the frontage road to the east of Blackhawk Boulevard.

On the electric system, a tie line was installed to connect the Park Substation in South Beloit to the metering point at the Gateway Business Park on the southeast side of Beloit. The project is designed to improve reliability to existing businesses in the area as well as serve future developments. Another large project involved moving 28 electric poles along Highway 26 between Janesville and Milton to accommodate a road project.

Storm Outages

Not all of the line work done during 2012 was planned. The largest outage in the history of the co-op occurred on July 24, and crews put in long hours responding to damage from an early-morning storm. About 7,000 members lost power when extremely high winds and lightning pummeled northern Illinois and southern Wisconsin. The vast majority of outages were in our Illinois territory.

Rock Energy line crews started working about 5 a.m. and were soon joined by six lineworkers from other Wisconsin co-ops. They worked around the clock until every member had their electricity restored. This was not only the largest outage in the co-op's history, but it also resulted in outages that lasted longer than usual because the damage was so extensive.

Crews were dispatched first to areas where repairs could be made to restore power to the greatest number of members in the shortest amount of time. In many cases, lineworkers needed to clear large tree limbs from the power lines before beginning the restoration work.

Another storm on Dec. 20 produced high winds mixed with rain, ice, and snow, resulting in about 2,700 outages throughout our service territory. An extreme change in temperature caused ice to form on electric lines, and high winds slapped the icy lines together, causing shorts in the system.

We don't like to see even one member without

power for even a minute, but storms are inevitable. We work year-round to minimize and prevent outages by clearing tree branches away from power lines, keeping our equipment in top-notch shape, and maintaining proper engineering. That routine maintenance really pays off during a storm. We can't control the weather, but through proper planning we can minimize the damage it causes to our lines.

Co-op Finances

Financially, the cooperative is in good shape. All obligations and requirements in 2012 were satisfied, and we are expecting another positive year in 2013. We encourage you to review the financial statements on page 16c.

Members participate financially in the co-op through our capital credit program. At the end of each year, any margins that exceed annual costs are allocated to members in the form of capital credits. In 2012, Rock Energy distributed more than \$700,000 in capital credits to members. In our 77 years of doing business, the co-op has paid out \$10.5 million. This is real money going back to our members, which reduces their overall energy costs.

Members' financial participation in the co-op is part of what we call "the cooperative difference," one of the many qualities that make energy co-ops different from

investor-owned utilities. We don't need to worry about making a profit for out-of-town investors. We exist for you—the people we serve—and we are committed to you.

Helping You Save

Our commitment to you goes beyond providing safe and reliable energy at an affordable cost. Our members receive special benefits through programs like our Co-op Connections Card, which saw several improvements during 2012. The local card is part of a national program offered by Touchstone Energy.

New cards were mailed to all members last year and now offer significant savings on lab and imaging services, chiropractic, dental, vision, and hearing care plus big savings when you shop online. That's in addition to prescription discounts and savings from local and national

(Continued on page 16d ▶)



High winds during a July 24 storm caused extensive damage and a record number of outages. Poles on Blackhawk Boulevard in South Beloit were tipped, and some of the crossarms were disconnected.

Rock Energy Cooperative

Statements of Revenue & Patronage Capital

(subject to audit)

	Years Ended December 31,	
	2011	2012
Operating Revenue	\$52,094,387	\$49,709,089
Operating Expenses:		
Cost of Power	37,615,221	35,002,586
Distribution – Operations	1,779,879	1,939,572
Distribution – Maintenance	1,431,182	1,589,918
Member Accounts	1,169,549	1,021,716
Member Service & Information	338,685	331,151
Administrative & General	1,795,283	1,907,601
Depreciation	2,713,359	2,814,044
Taxes	346,620	337,914
Other Deductions	4,410	23,746
Total Operating Expenses	<u>47,194,188</u>	<u>44,968,248</u>
Operating Margins – before Fixed Charges	4,900,199	4,740,841
Fixed Charges:		
Interest on Long-Term Debt	2,208,099	2,097,087
Interest on Short-Term Debt	122,534	62,644
Total Fixed Charges	<u>2,330,633</u>	<u>2,159,731</u>
Operating Margins – after Fixed Charges	2,569,566	2,581,110
Patronage Capital Allocations	<u>229,841</u>	<u>261,806</u>
Net Operating Margins	2,799,407	2,842,916
Non-Operating Income:		
Interest Income	249,161	280,443
Equity Investments & Other	53,010	167,031
Total Non-Operating Income	<u>302,171</u>	<u>447,474</u>
Net Margins for Period	3,101,578	3,290,390
Patronage Capital – Beginning of Period	<u>18,869,365</u>	<u>21,138,603</u>
	<u>21,970,943</u>	<u>24,428,993</u>
Retirement of Capital Credits	<u>832,340</u>	<u>876,763</u>
Patronage Capital- End of Period	<u>\$21,138,603</u>	<u>\$23,552,230</u>

Balance Sheets

(subject to audit)

	As of December 31,	
	2011	2012
ASSETS		
Utility Plant:		
In Service	\$84,482,303	\$87,116,782
Construction Work in Process	719,405	1,036,864
	85,201,708	88,153,646
Less: Accumulated Depreciation	30,542,015	32,829,545
Net Utility Plant	<u>54,659,693</u>	<u>55,324,101</u>
Investments:		
Associated Organizations	3,426,672	3,580,155
Other Investments	1,433,594	1,558,652
Total Investments	<u>4,860,266</u>	<u>5,138,807</u>
Current Assets:		
Cash & Temporary Investments	152,814	123,950
Accounts Receivable	4,709,300	3,683,600
Inventory, Materials & Supplies	1,589,684	1,415,540
Other current assets	171,180	313,590
Total Current Assets	<u>6,622,978</u>	<u>5,536,680</u>
Deferred Debits	-	-
Total Assets	<u>\$66,142,937</u>	<u>\$65,999,588</u>
EQUITIES & LIABILITIES		
Equities:		
Patronage Capital	\$21,138,603	\$23,552,230
Other Equities	627,057	721,321
Total Equities	<u>21,765,660</u>	<u>24,273,551</u>
Long-Term Obligations	34,445,046	33,609,672
Current Liabilities:		
Current Maturities of Long-Term Debt	779,646	818,017
Notes Payable- Line of Credit	1,953,928	-
Accounts Payable	4,038,062	4,062,900
Member Deposits	410,232	397,817
Accrued Taxes	446,144	411,193
Other Current Liabilities	1,605,175	1,725,314
Total Current Liabilities	<u>9,233,187</u>	<u>7,415,241</u>
Deferred Credits	<u>699,044</u>	<u>701,124</u>
Total Equities & Liabilities	<u>\$66,142,937</u>	<u>\$65,999,588</u>

CEO & Chariman's Report

(Continued from page 16b)

merchants. Since the program started, Rock Energy members have saved more than \$52,000 on prescriptions.

If you don't have a card, you can stop at either our Janesville or South Beloit office and pick one up at the front desk. To discover all the savings associated with the card, visit our web site at www.rock.coop and click on the Co-op Connections Card.

Democratic Process

As a member, you also are entitled to participate in the co-op's democratic process by electing fellow members to the board of directors. At the April 1 annual meeting, members will elect directors in three districts. See the back cover for details.

In 2012, members returned Morris Nelson and Darrel Weber to their director positions and elected Gordon Alexander of Roscoe Township in District 5. He replaced Bill Fischer, who retired from the board after serving nine years.

Recycling Success

Every year in September the co-op sponsors a Member Appreciation Day with lots of activities, food, and fun. The event gives directors and employees a chance to show members how thankful we are to be their energy provider. In 2012, we decided to add document shredding and electronics recycling to provide extra value to our members.

Because it was something new, we had no idea what to expect. Both of the companies we worked with warned us that first-time events usually weren't very successful. So we were surprised that in less than three hours, 6.7 tons of electronics had been dropped off for recycling and 2.5 tons of paper had been recycled. A record crowd of

more than 1,200 visited our Janesville warehouse on that Saturday morning.

By participating in our recycling event, members helped keep used electronics out of our community landfills. The document shredding service not only helped with recycling, but it also gave members the security of knowing that their personal information would not fall into the wrong hands.



The electronics recycling and document shredding at Member Appreciation Day were a huge success. A total of 6.7 tons of electronics were dropped off and 2.5 tons of paper were shredded.

The features were so popular that we plan to offer both again at this year's Member Appreciation Day. The date hasn't been set yet, but watch this magazine for all the details.

77th Annual Meeting

On behalf of our dedicated board of directors and experienced employees, we invite you to join us for the 77th Annual Meeting on Monday, April 1, at the Eclipse Center in Beloit. Registration starts at 4:30 p.m. with the program beginning at 5:30 p.m. and dinner served afterward.

Attending the annual meeting gives members—the most important part of our co-op family—a chance to participate in the governance of the cooperative. We look forward to maintaining our strong relationship with you and will continue to provide you with safe and reliable energy at an affordable cost. Remember that we're committed to you! ■

Happy Easter!

Rock Energy Cooperative offices will be closed on Friday, March 29, in observance of Good Friday. Members can make payments in the drop boxes at both offices throughout the holiday weekend. Even though our offices are closed, crews are always available 24 hours a day. If you need to report a power outage, please call (608) 752-4550 or toll-free (866) 752-4550.



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