

# Report from the Chief Executive Officer and the Chairman

## THESE POLES HAVE ROOTS



Shane L. Larson,  
Chief Executive Officer

The poles that dot the American landscape and line our roads and streets represent a vision that began in 1936 when a group of Rock County residents realized that electricity was essential to improving the lives of rural folks.

The residents, who founded the Rock County Electric Cooperative Association, had requested power from the local utility company but were turned down. Undiscouraged, they

looked to the Rural Electrification Act of 1936, which allowed the federal government to make low-cost loans for the purpose of bringing electricity to rural America.

Electric cooperatives brought power to rural America when no one else would. For years, power companies never ventured outside their city limits. They ignored the electric needs of the nation's rural areas for one reason: There was no profit to be made. As a result, nine out of 10 rural homes were without electric service as late as the mid-1930s.

President Franklin D. Roosevelt, who championed rural electrification, believed that "electricity is a modern necessity of life, not a luxury. That necessity ought to be found in every village, in every home, and on every farm in every part of the wide United States."

Your co-op, now named Rock Energy Cooperative, will celebrate its deep roots at the 80th annual meeting on March

28. These roots define our present and will help shape our future.

The cover design on this magazine shows the past and present meeting on a dirt road. The original photo showed an old car driving down the road, and we added the bucket truck to symbolize the present. Your co-op has been empowering members since 1936 and will continue providing safe and reliable energy at an affordable cost long into the future.



Bill Dietsch,  
Chairman of the Board

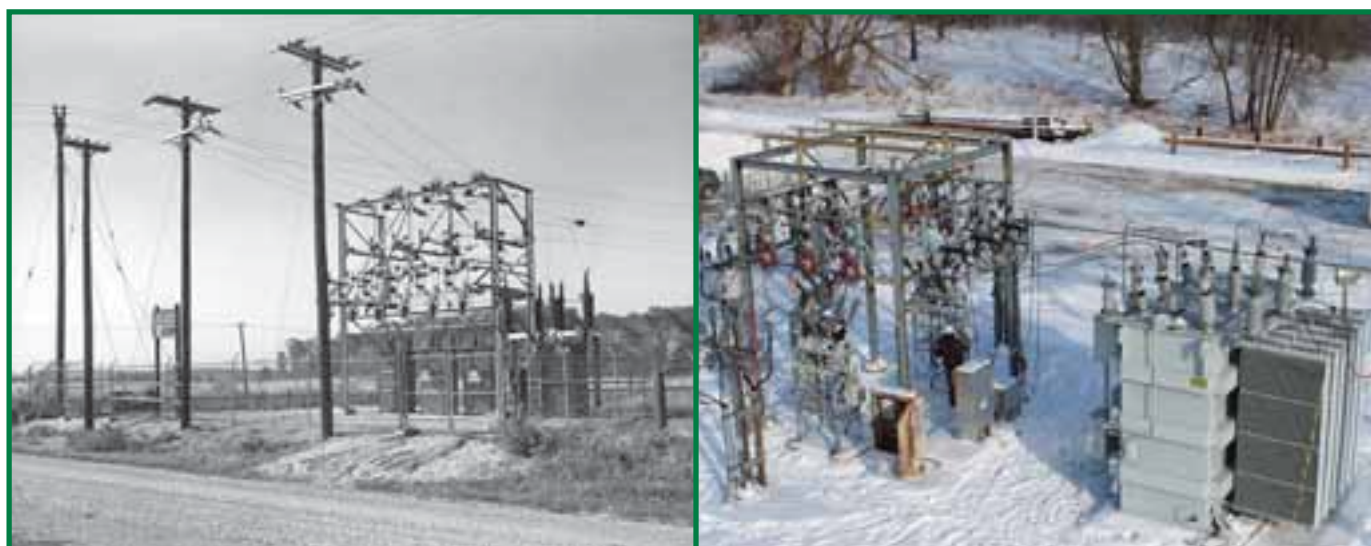
As we prepare for our 80th annual meeting, we are proud to report that the cooperative is in good shape financially. All obligations and requirements in 2015 were satisfied, and we are expecting another positive year in 2016. We encourage you to review the financial statements on page 16b.

Members participate financially in the co-op through our capital credits program. At the end of each year, any margins that exceed actual costs are allocated to members in the form of capital credits. In 2015, Rock Energy distributed more than \$1 million in capital credits to members and former members. Since the co-op was founded 80 years ago, about \$14 million has been paid back. This is real money going back to you—our members.

Members' financial participation in the co-op is one of the many qualities that make energy co-ops different from

(Continued on page 16c)

ANNUAL REPORT



The size of substations has increased over the years as the co-op has grown. Compare the Harmony Substation in the 1940s with today's Shirland facility.



## Statements of Revenue & Patronage Capital

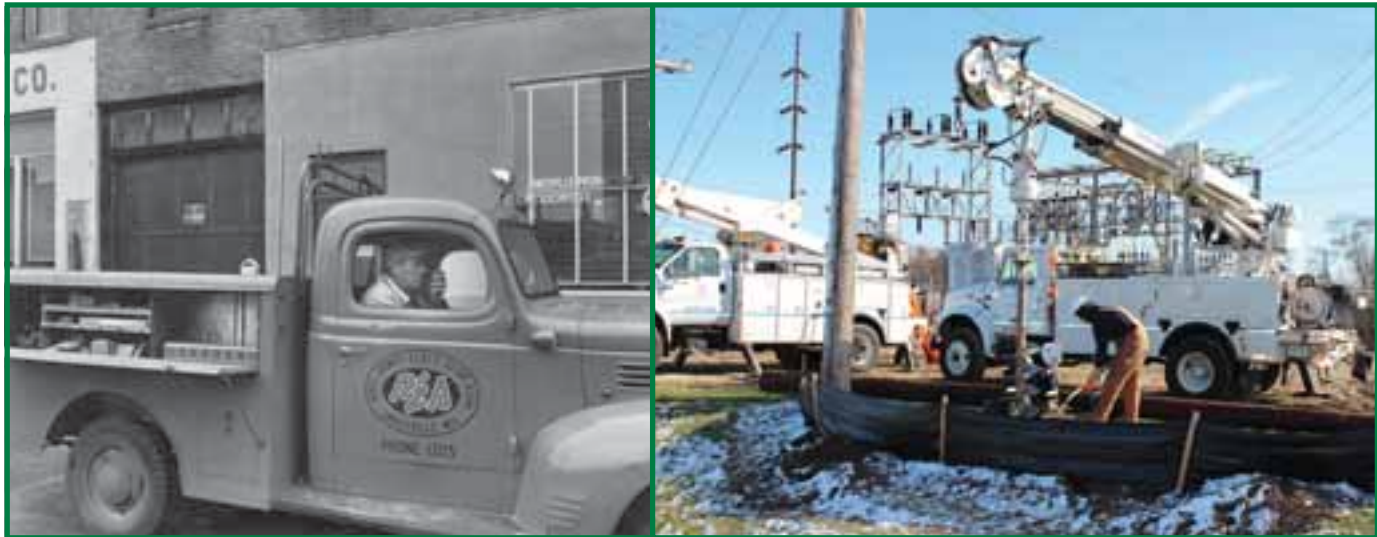
(subject to audit)

	Years Ended December 31,	
	2014	2015
<b>Operating Revenue</b>	<b>\$57,022,110</b>	<b>\$53,584,952</b>
<b>Operating Expenses:</b>		
Cost of Power	42,350,296	37,134,916
Distribution – Operations	1,914,948	1,969,768
Distribution – Maintenance	1,575,701	1,728,023
Member Accounts	988,561	999,847
Member Service & Information	356,114	357,515
Administrative & General	2,110,459	1,984,629
Depreciation	3,124,804	3,326,269
Taxes	342,623	368,103
Other Deductions	3,553	10,810
<b>Total Operating Expenses</b>	<b>\$52,767,059</b>	<b>47,879,880</b>
<b>Operating Margins – before Fixed Charges</b>	<b>4,255,051</b>	<b>5,705,072</b>
<b>Fixed Charges:</b>		
Interest on Long-Term Debt	1,940,871	1,949,267
Interest on Short-Term Debt	134,381	77,316
<b>Total Fixed Charges</b>	<b>2,075,252</b>	<b>2,026,583</b>
<b>Operating Margins – after Fixed Charges</b>	<b>2,179,799</b>	<b>3,678,489</b>
<b>Patronage Capital Allocations</b>	<b>280,070</b>	<b>260,678</b>
<b>Net Operating Margins</b>	<b>2,459,869</b>	<b>3,939,167</b>
<b>Non-Operating Income:</b>		
Interest Income	252,606	232,496
Equity Investments & Other	179,680	160,680
<b>Total Non-Operating Income</b>	<b>432,286</b>	<b>393,176</b>
<b>Net Margins for Period</b>	<b>2,892,155</b>	<b>4,332,343</b>
<b>Patronage Capital – Beginning of Period</b>	<b>26,363,088</b>	<b>28,237,145</b>
	<b>29,255,243</b>	<b>32,569,488</b>
<b>Retirement of Capital Credits</b>	<b>1,018,098</b>	<b>1,261,142</b>
<b>Patronage Capital – End of Period</b>	<b>\$28,237,145</b>	<b>\$31,308,346</b>

## Balance Sheets

(subject to audit)

	As of December 31,	
	2014	2015
<b>ASSETS</b>		
<b>Utility Plant:</b>		
In Service	\$96,132,420	\$102,505,995
Construction Work in Process	3,354,530	2,141,311
	99,486,950	104,647,306
Less: Accumulated Depreciation	37,628,643	39,748,057
<b>Net Utility Plant</b>	<b>61,858,307</b>	<b>64,899,249</b>
<b>Investments:</b>		
Associated Organizations	3,878,416	3,998,131
Other Investments	1,796,415	1,870,454
<b>Total Investments</b>	<b>5,674,831</b>	<b>5,868,585</b>
<b>Current Assets:</b>		
Cash & Temporary Investments	115,821	190,266
Accounts Receivable	4,653,705	3,643,750
Inventory, Materials & Supplies	1,739,607	1,237,021
Other current assets	363,682	341,884
<b>Total Current Assets</b>	<b>6,872,815</b>	<b>5,412,921</b>
<b>Deferred Debits</b>	<b>1,062,972</b>	<b>981,205</b>
<b>Total Assets</b>	<b>\$75,468,925</b>	<b>\$77,161,960</b>
<b>EQUITIES &amp; LIABILITIES</b>		
<b>Equities:</b>		
Patronage Capital	\$28,237,145	\$31,308,346
Other Equities	883,706	1,080,016
<b>Total Equities</b>	<b>29,120,851</b>	<b>32,388,362</b>
<b>Long-Term Obligations</b>	<b>35,416,508</b>	<b>33,091,453</b>
<b>Current Liabilities:</b>		
Current Maturities of Long-Term Debt	2,351,397	2,560,042
Notes Payable – Line of Credit	1,259,178	2,017,209
Accounts Payable	3,927,630	3,610,496
Member Deposits	451,028	387,156
Accrued Taxes	577,116	582,934
Other Current Liabilities	1,819,205	1,988,401
<b>Total Current Liabilities</b>	<b>10,385,554</b>	<b>11,146,238</b>
<b>Deferred Credits</b>	<b>546,012</b>	<b>535,907</b>
<b>Total Equities &amp; Liabilities</b>	<b>\$75,468,925</b>	<b>\$77,161,960</b>



Co-op trucks today have very sophisticated equipment to make the work less labor intensive. In the old days workers dug holes for utility poles by hand. Now this modern digger truck uses an auger to dig the hole and a winch to erect the pole.

## CEO & Chairman's Report

(Continued from page 16a)

investor-owned utilities. We call this “the cooperative difference.” We don’t worry about making money for out-of-town investors. We exist solely to provide you with safe, reliable, and affordable energy.

To accomplish that, we continue upgrading our distribution system. Preliminary design work for a new substation started in 2015. The Townhall Substation will be located on Townhall Road near Colley Road in Turtle Township. The new substation, expected to be online in 2017, will increase the capacity, reliability, and integrity of service in that area and serve as a backup for substations in Clinton and South Beloit.

The Townhall Substation will be the 15th substation operated by Rock Energy to serve almost 19,000 electric meters along 1,300 miles of line in southern Wisconsin and northern Illinois. Our substations are strategically located throughout our service territory and 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 system.

Electric crews also spent considerable time during 2015 on a project with the Department of Transportation that involved relocating poles and related equipment along Interstate 90 in Rock

County to accommodate work being done to improve interchanges. A similar project will take place in 2016 along Highway 75 in Rockton.

Also during 2015, Rock Energy’s natural gas department worked on a multiyear project of replacing distribution pipe in the Rockton area. The project, which continues this year, is designed to strengthen our system, improve reliability, and ensure safety.

In addition to the Rockton project, crews regularly monitor our network of natural gas pipes and inspect for corrosion and leaks. Rock Energy operates about 175 miles of pipeline in northern Illinois with nearly 9,000 services.

Part of the cooperative difference we mentioned earlier focuses on our youth programs. It’s important that we support the youngest members of our



Back in the day line workers climbed a lot of poles and did most of their work while they were strapped to the pole. Today’s trucks have buckets attached to booms that lift workers up to the electric lines.



co-op family, not only to enrich their lives, but also to instill in them the importance of cooperative membership. After all, these youngsters will one day become community and possibly co-op leaders.

The co-op awards college scholarships to give high school seniors the opportunity to reach their potential. Since 1989, Rock Energy has awarded more than \$87,000 in financial aid to deserving students. High school juniors have the opportunity to attend the annual Youth Tour to Washington, D.C. The weeklong trip is designed to give students a better understanding of the value of rural electrification while exploring the historic and political environment of the nation's capital. Visits with elected officials give teens insight into the federal government, the political process, and democracy in general. Combined, our youth programs allow Rock Energy to recognize the accomplishments of outstanding young people from local communities.

Our 80th anniversary celebration gives us an opportunity to reflect on all the changes that have occurred in the co-op's history. Rock County Electric Cooperative Association started in 1936 with a couple hundred members. We have about 28,000 today. The number of employees has grown from four to more than 50 today. We have changed our name, expanded our service territory to include urban areas as well as the rural countryside, and now also deliver natural gas to our Illinois members.

Technology has changed the way we do business. Modern equipment has allowed us to increase our efficiency. Most of our meters are read remotely, and thankfully we have fewer and shorter outages than in the old days.

Your co-op has provided safe and reliable energy at an affordable cost for 80 years. While deeply rooted in the past, we are focusing on our bright future ahead. Our commitment to you for the next 80 years and beyond is that Rock Energy will continue to put you—our members—first while meeting your energy needs.

Included in this annual report are photos that show the comparison between the early days and the present. We'll show more photos at our annual meeting so members can take a trip down memory lane with us.

We hope you'll join the Rock Energy board, employees, and members of our co-op family on Monday, March 28, at the Eclipse Center in Beloit. Registration starts at 4:30 p.m. with the meeting beginning at 5:30 p.m. and dinner served afterward.

Happy 80th anniversary to Rock Energy Cooperative. 📺

## Happy Easter!

Rock Energy Cooperative offices will be closed on Friday, March 25, in observance of Good Friday. We will reopen at 7:30 a.m. Monday, March 28. 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.



### Get Connected

Check out these great deals offered with your Co-op Connections Card.



McGuire's Collision Specialists, 13548 Metric Road, Roscoe – 815-389-0955 – [www.mcguirecollision.com](http://www.mcguirecollision.com)



Collision repair and refinishing. We are the Roscoe area's most recognized collision repair facility, established in 1978. Lifetime warranty, insurance company recommended, unibody and frame repairs, painting and color matching, fiberglass repairs. **10% Off Insurance Deductible**



PCI Plumbing, 931 Storrs Lake Road, Milton – 608-868-5825 – [www.pciplumbing.com](http://www.pciplumbing.com)

Commercial and residential plumbing services, including new construction, remodeling, repairs, sewer and water laterals, radiant heat, faucets and fixtures. We don't want all the business—just yours! **\$15 Off Any Service Call**

For a complete listing of current deals, visit [www.rock.coop](http://www.rock.coop) and click on the Co-op Connections Card. You also can use the card for discounts on prescriptions as well as dental, vision, hearing, chiropractic, lab, and imaging services. To locate providers, call (800) 800-7616.

### Shane Larson, CEO

P.O. Box 1758, 2815 Kennedy Rd., Janesville, WI 53547  
P.O. Box 126, 15229 Willowbrook Rd., South Beloit, IL 61080  
608-752-4550 • 866-752-4550

### Barbara Uebelacker, Editor



**ROCK ENERGY COOPERATIVE**  
Empowering Members Since 1936