



Shane L. Larson,
Chief Executive Officer

Report from the Chief Executive Officer and the Chairman



Bill Dietsch,
Chairman of the Board

PROVIDING POWER FOR GENERATIONS

We chose “Power for Generations” as the theme for our 2018 Annual Report because that’s exactly what your co-op has been doing: providing power to homes and businesses in area communities for more than eight decades.

The cover of this magazine shows the past merging with the future. The vintage truck represents the early days of Rock County Electric Cooperative Association, while the background photo showing construction of the West Riverside Energy Center signifies where Rock Energy Cooperative is headed.

Your co-op was founded in 1936 when a group of Rock County residents realized that electricity was essential to improving the lives of rural folks. They had requested power from the local utility company but were turned down because it wasn’t considered economically feasible. It became clear to the local farmers that if rural areas were going to get electricity, they would have to do it themselves.

When the first electricity flowed to rural Rock County, the co-op had 122 miles of lines. Power was supplied by Fairbanks Morse Co. of Beloit, one of the leading manufacturers of electric generating equipment at the time. The company agreed to supply 600,000 kilowatt hours monthly.

Fast forward to today when the co-op has 1,265 miles of energized lines that bring more than 80 million kilowatt hours monthly to about 19,000 electric meters in southern Wisconsin and northern Illinois. We purchase that power from Alliant Energy and distribute it to our members.

With electric power costs representing nearly 77 percent of the co-op’s total electric expenses, it’s important that we continually evaluate ways to address this cost. One way we’re doing this is partnering with Alliant Energy in construction of the West Riverside Energy Center in Beloit Township. The co-op has 3.4 percent ownership of the advanced technology,

highly efficient natural gas facility that is expected to go on line in 2020. This partnership will help us control our electric power costs and represents a unique opportunity for our membership to benefit financially for many years. It also will provide power for future generations.

The new power plant is part of Alliant Energy’s long-term transition to a cleaner energy mix. It will emit less than half the carbon dioxide, about two-thirds less nitrogen, and 99 percent less sulfur and mercury than traditional coal-fired facilities. An integrated solar field will allow clean energy from the sun to be delivered to the natural gas facility and offset its auxiliary power needs.

Statistics show Alliant’s commitment to renewable

resources. Renewables accounted for just 5 percent of Alliant’s energy mix in 2005 but grew to 16 percent in 2017. That number is expected to more than double by 2024, when renewables will be responsible for producing 33 percent of its electricity.

New meters

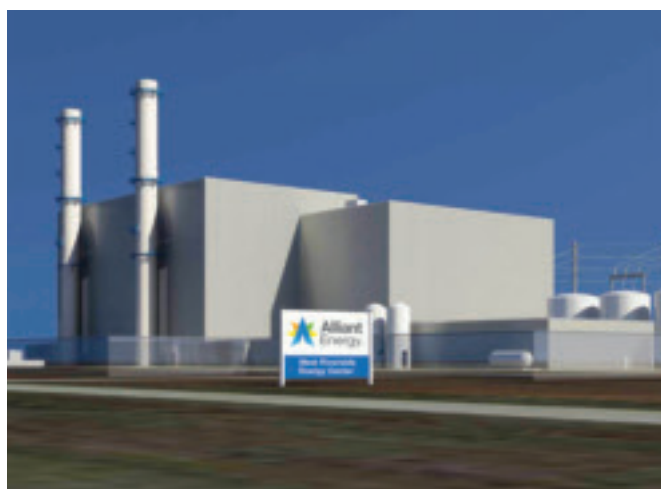
In another move into the future, we are replacing our Automated Meter Reading (AMR) system with a new one that requires the installation of different meters. The new Advanced Metering Infrastructure (AMI) system will help us op-

erate more efficiently and improve reliability with the goal of serving you better. We started installation during the summer of 2018 and expect to finish the project this summer.

The old meters were installed during the late 1990s in our Wisconsin territory and in 2009 in Illinois. The system was state-of-the-art at the time but is now outdated and not supported by the manufacturer.

The new meters collect energy consumption and power quality data and then transmit that information to the co-op via radio frequency communication—a licensed, encrypted, secure system. The new meters will let us know if you have a power outage. This helps our outage management system de-

(Continued on page 20C)



This artist’s rendering shows how the new West Riverside Energy Center will look when it is completed in 2020. Rock Energy is a partner with Alliant Energy in the new power plant.



Statements of Revenue & Patronage Capital

(subject to audit)

	Years Ended December 31,	
	2017	2018
Operating Revenue	\$56,765,597	\$58,716,304
Operating Expenses:		
Cost of Power	39,741,697	40,374,559
Distribution – Operations	1,848,142	1,641,924
Distribution – Maintenance	2,158,800	2,388,970
Member Accounts	1,062,247	1,031,200
Member Service & Information	365,777	388,376
Administrative & General	2,247,632	2,421,491
Depreciation	3,566,345	3,608,044
Taxes	367,258	399,385
Other Deductions	8,045	408,974
Total Operating Expenses	51,365,943	52,662,923
Operating Margins – before Fixed Charges	5,399,654	6,053,381
Fixed Charges:		
Interest on Long-Term Debt	1,789,274	1,741,225
Interest on Short-Term Debt	107,764	224,143
Total Fixed Charges	1,897,038	1,965,368
Operating Margins – after Fixed Charges	3,502,616	4,088,013
Patronage Capital Allocations	243,067	335,452
Net Operating Margins	3,745,683	4,423,465
Non-Operating Income:		
Interest Income	220,109	213,587
Equity Investments & Other	199,975	203,069
Total Non-Operating Income	420,084	416,656
Net Margins for Period	4,165,767	4,840,121
Patronage Capital – Beginning of Period	32,518,652	35,426,680
	36,684,419	40,266,801
Retirement of Capital Credits	1,257,739	1,407,752
Patronage Capital – End of Period	\$35,426,680	\$38,859,049

Balance Sheets

(subject to audit)

	As of December 31,	
	2017	2018
ASSETS		
Utility Plant:		
In Service	\$108,578,638	\$104,329,192
Construction Work in Process	3,473,892	10,323,207
	112,052,530	114,652,399
Less: Accumulated Depreciation	43,416,538	41,388,006
Net Utility Plant	68,635,992	73,264,393
Investments:		
Associated Organizations	4,201,823	4,359,963
Other Investments	2,170,470	2,292,580
Total Investments	6,372,293	6,652,543
Current Assets:		
Cash & Temporary Investments	25,281,941	7,681,503
Accounts Receivable	4,912,234	5,309,718
Inventory, Materials & Supplies	1,244,834	1,411,169
Other current assets	503,043	400,146
Total Current Assets	31,942,052	14,802,536
Deferred Debits	1,103,926	21,236,383
Total Assets	\$108,054,263	\$115,955,855
EQUITIES & LIABILITIES		
Equities:		
Patronage Capital	\$35,426,680	\$38,859,049
Other Equities	1,270,994	1,436,548
Total Equities	36,697,674	40,295,597
Long-Term Obligations	56,193,965	57,817,253
Current Liabilities:		
Current Maturities of Long-Term Debt	1,229,317	1,376,713
Notes Payable – Line of Credit	4,248,991	6,781,138
Accounts Payable	4,343,717	4,472,711
Member Deposits	437,934	507,738
Accrued Taxes	584,091	631,620
Other Current Liabilities	2,167,850	1,940,650
Total Current Liabilities	13,011,900	15,710,570
Deferred Credits	2,150,724	2,132,435
Total Equities & Liabilities	\$108,054,263	\$115,955,855

CEO & Chairman's Report

(Continued from page 20A)

termine outage locations more reliably and results in faster response times. The system also will report variances in voltage and other line conditions, which leads to a more reliable power distribution system.

Perhaps one of the most important features of the new system for you, as an energy consumer, is the amount of data it collects. The new meter records your energy use every 15 minutes. You can log on to SmartHub to view this information and pinpoint your usage during various weather conditions and different times of the day. This timely information about your energy consumption will help you make wise decisions about how you use energy. Let us know if you need help setting up SmartHub, our online account management tool.

With the old metering system, our office received one reading every day for each of the electric and natural gas meters throughout our territory, totaling about 28,000 meter reads a day. In comparison, the new system sends us about 2.7 million reads every day. That's a lot of data!



This pole being set at the Orfordville Substation is one of 12 new poles needed for the new AMI system. The 110-foot poles are placed 13 feet into the ground and stand 97 feet above ground.



Installation of AMI meters started in 2018 and will wrap up this year. The new meters will help us operate more efficiently, improve reliability, and serve you better.

System upgrades

The new metering system is just one of the co-op's many accomplishments in 2018. We continued to maintain and improve our electric and natural gas distribution infrastructure, including 1,265 miles of energized power lines and 184 miles of natural gas pipelines. These enhancements not only provide our members with needed energy, but they also help officials attract new business and industry to our communities.

On the electric side, the new Town Hall Substation was placed on line in October. The substation, located on Townhall Road near Colley Road in Turtle Township, increases the capacity, reliability, and integrity of service in that area and serves as a backup for substations in South Beloit and Clinton. With the addition of Town Hall, the co-op now operates 15 substations 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.

Our northern electric crews spent a considerable amount of time in 2018 working on line relocation and conversions related to the Interstate 90 project. In our southern territory, improvements were made at the East Rockton Substation, located at Prairie Hill Road and Blackhawk Boulevard, to increase system reliability.

Rock Energy's natural gas department was busy last year upgrading our distribution system in South Beloit and Rockton. New gas mains were installed, and some older gas mains were replaced. In addition, service pipes to members' homes were replaced when necessary.

The gas main along Prairie Hill Road in South Beloit also was upgraded to increase capacity to the area and reinforce residential and industrial services. The improvements also will accommodate future growth. In addition, crews relocated distribution main and made improvements at Oak Grove Avenue and Blackhawk Boulevard in conjunction with a South Beloit road project.

Co-op Connections

Providing safe and reliable energy at an affordable cost is our primary purpose, but we also help members save money through our Co-op Connections program. We introduced the Co-op Connections Card in 2008 because we wanted to help you save money and get the best deals on your purchases.

This member-benefit program gives Rock Energy members access to

GO BEYOND THE CARD.



- 2-for-1 Restaurant Deals
- Discounted Movie & Event Tickets
- Hotel Savings
- Cash-Back Online Shopping
- Prescription Savings
- National Partner Deals
- Savings Tracking

Visit connections.coop/Rock to learn more!



thousands of deals through Touchstone Energy, a nationwide alliance of more than 900 local energy cooperatives in 47 states. Since we launched the program, our members have saved almost \$150,000 on prescription drugs.

In 2018, several features were added to the program to make it better than ever. It still includes prescription savings and discounts of vision, dental, hearing, lab imaging, and chiropractic care. But now there's a mobile app that allows you to get 2-for-1 restaurant deals, discounted movie and event tickets, national partner deals, hotel discounts, cash-back online shopping, and savings tracking. You can visit www.rock.coop to find out more about the program.

Member satisfaction

We are proud to report that Rock Energy scored 88 out of 100 in the 2018 American Customer Satisfaction Index (ACSI) surveys. ACSI measures overall satisfaction of consumers across the country in a variety of industries. Our score was above the national cooperative average of 77. Investor-owned utilities and municipal operations scored an average of 75.

The survey showed high overall co-op satisfaction with 91 percent saying they are somewhat or very satisfied with Rock Energy.

If you were one of the members surveyed, we want to thank you for your participation. It's gratifying to know that our members have such a high level of satisfaction with their energy co-op. But beyond that, the results provide us with constructive feedback and help us focus on areas where we can improve.

Co-op finances


Financially, the cooperative is in good shape. All obligations in 2018 were satisfied, and another positive year is forecast for 2019. We encourage you to review the financial statements on page 20B.

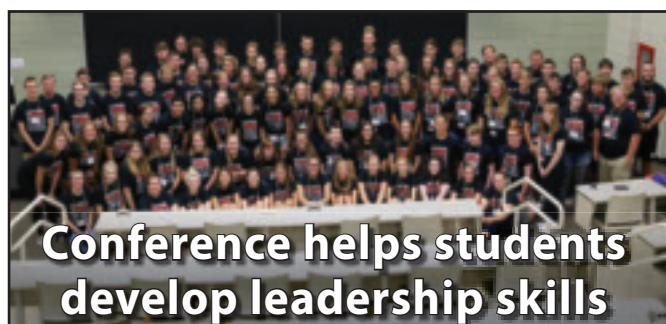
Because you're a member, you have equity in Rock Energy in the form of capital credits. That money is used as working capital to operate, maintain, and upgrade the co-op's energy distribution system. When the co-op's financial situation allows, some of that capital is returned. In 2018, Rock Energy distributed more than \$1 million to current and past members. Since the co-op was founded, more than \$17 million has been paid back.

Your economic participation in Rock Energy is one of the many qualities that make energy co-ops different from other types of utilities. We don't need to make profits for out-of-town investors. We exist solely for you—our members—and are proud to support our communities by putting money back into the local economy and into the pockets of those we serve.

83rd Annual Meeting

On behalf of our dedicated board of directors and experienced employees, we invite you to join us for the 83rd Annual Meeting on Monday, March 25, 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. Complete details are available on the inside front cover of this magazine.

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 safe and reliable energy at an affordable cost for many generations to come. We hope to visit with you on March 25. 



Understanding the cooperative difference and identifying traits of leaders are just two of the topics that will highlight the Wisconsin Energy Cooperative Association Youth Leadership Congress.

The conference, co-sponsored by Wisconsin's energy cooperatives and the University of Wisconsin–River Falls, is scheduled for July 24–26 on the UW–River Falls campus. Rock Energy Cooperative will pay for up to four high school students to attend the sessions. Applicants must be current freshmen, sophomores, or juniors who reside in the co-op's service territory.

Through a mix of workshop sessions, hands-on activities, and team-building experiences, participants will be exposed to a variety of real-life issues and given the opportunity to identify and explore their leadership potential.

Interested students can apply online by going to www.rock.coop and clicking on the Community & Youth tab. The application deadline is April 12.

For more information, call Barbara Uebelacker, communications director, at 866-752-4550 or email her at BarbU@rock.coop.

Shane Larson, CEO

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Barbara Uebelacker, Editor



**ROCK ENERGY
COOPERATIVE**
Empowering Members Since 1936

2018 ANNUAL REPORT

Illinois Country Living **POWER** for generations



 **ROCK ENERGY
COOPERATIVE**
Empowering Members Since 1936

83rd Annual Meeting
Monday, March 25

NOTICE OF ANNUAL MEETING

Rock Energy Cooperative
March 25, 2019 • 5:30 p.m.

NOTICE IS HEREBY GIVEN that the annual meeting of Rock Energy Cooperative will be held at the Eclipse Center, Beloit, Wisconsin, on Monday, the 25th day of March, 2018, at 5:30 p.m. for the purpose of transacting whatever business may lawfully come before it. The order of business pursuant to the Bylaws shall be as follows:

1. Call to Order. Quorum Determination
2. Reading of Notice of Meeting
3. Approval of Minutes of Previous Annual Meeting
4. Reports of Officers, Directors, and Committees
5. Election of Three (3) Directors
6. Unfinished Business
7. New Business/Questions
8. Adjournment

Dated this 1st day of March, 2019.

*Marian Trescher, secretary,
Rock Energy Cooperative*

Members must attend this meeting if they wish to vote on co-op business items. Only one ballot per member will be issued at time of registration. Proxy and absentee voting are not allowed.

83RD ANNUAL MEETING PROGRAM

Doors Open..... 4:30 p.m.

Annual Meeting 5:30 p.m.

Children's Room*5-7:15 p.m.
Ages 3-12 Fun Games
and Activities

**Includes snack and dinner of Pizza,
Vegetables and Dip, Cookies, Milk, Juice,
Water*

Adult Dinner6:45 p.m.

*Menu: Tossed Garden Salad, Oven-Roasted
Turkey Breast, Whipped Potatoes with
Gravy, Green Beans Almondine, Apple Pie*

82ND ANNUAL MEETING MINUTES

Chairman William Dietsch welcomed all in attendance for the 82nd annual meeting of Rock Energy Cooperative at the Eclipse Center in Beloit. He introduced special guests, including six legislators; managers and staff representing WECA, AIEC, and Alliant Energy; REC Board of Directors; attorney Niles Berman; CEO Shane Larson; and spouses.

Chairman Dietsch called the meeting to order at 5:30 p.m. Monday, March 26, 2018. He called for a membership count and declared a quorum with 222 voting members present. The total attendance was 550.

Secretary Marian Trescher read the official notice of the annual meeting. The minutes of the 2017 annual meeting were printed in the March edition of the co-op magazine. A motion was made, seconded, and carried to approve the 81st annual meeting minutes as printed.

Treasurer James Quade reported operating revenue for 2017 at \$56,765,597 with net margins of \$4,165,767. The cooperative is in good shape financially. No questions were asked. A motion was made, seconded, and carried to accept the report.

Chairman Dietsch thanked all for their attendance. He cited the importance of the Seven Cooperative Principles guiding our cooperative's existence.

CEO Larson used the theme "Back to the Future" in his remarks. A membership certificate belonging to Meinardus Schenkel dated March 17, 1938, was shown. Rock County Electric Cooperative was founded April 26, 1936. A special thank you goes to Rick Butke for sending his grandfather's membership certificate. This piece of history is now framed and hangs in the boardroom in Janesville. The certificate mentioned patronage dividends would be paid. These are now called capital credits. In the past 82 years more than \$16 million in capital credits has been returned to members.

The co-op business model is strong. Over the years there have not been a lot of major changes in the co-op structure. Our goal continues to be to provide safe, reliable, and affordable energy. This naturally causes new things to be implemented. REC is in the process of installing a new AMI system, which updates our meter reading. REC has also become a small investor in the West Riverside Energy Center natural gas power plant located between Janesville and Beloit. These advancing ideas will benefit the co-op into the future.

Denny Schultz, director of utility operations, was recognized for his 45 years of dedicated service to the co-op. Best wishes were extended to Denny and Terri for a very enjoyable retirement starting in May.

An amendment to the bylaws would allow election by unanimous consent or voice vote without the need to cast a written ballot if there is only one nominee for a position. Attorney Berman conducted a voice vote on the bylaws change. The amendment was adopted with one no vote.

Minutes of the nominating committee were read and accepted. Candidates for Districts 1, 3, and 5 were introduced. A motion was made to dispense with the written ballot. It was seconded and elected to serve a three-year term by unanimous voice vote were: District 1, Barbara Miller; District 3, Darrel Weber; and District 5, Bill Fischer.

Steve Freese, WECA CEO, spoke about the impact of cooperatives. One half of the country's geographic area is served by electric cooperatives, constituting only 12 percent of the population. There are 900 electric co-ops with 42 million members in 47 states.

Ten \$500 scholarships were presented by the scholarship committee—Marian Trescher, chair; Ron Richards; and Bill Fischer. The 2018 recipients were: Bryan Bartlett, Evansville; Holly Black, Hononegah; Noelle Buggs, Craig; Samuel Fisher, South Beloit; Clyde Jacob Hollister, Boylan Catholic; Megan Kreier, Milton; and Keegan Thiele, Parker. Three winners unable to attend were Kenneth Ballmer, Clinton; Zachary Currie, Craig; and Jarod Lee, Dakota.

There was no unfinished or further business to be conducted.

Three door prizes were awarded in honor of the co-op's 82nd anniversary. The winners were each given an \$82 credit on their Rock Energy bill.

The meeting adjourned at 6:19 p.m. Director Ron Richards gave the invocation, which was followed by a delicious dinner served by Best Events Catering.

Respectfully submitted,
Marian Trescher, secretary

MEET YOUR REC BOARD CANDIDATES

DISTRICT 2

Marian Trescher, the incumbent director for District 2, lives on the family farm at 9209 N. Trescher Road in Milton Township. She currently serves as secretary of REC and is a member of the state education committee. Trescher is completing her 14th year on the board. She has received her Credentialed Cooperative Director, Board Leadership, and Gold certificates from the National Rural Electric Cooperative Association after completing the required courses.



Trescher retired from teaching after spending 27 years in the Milton and Janesville school systems. She graduated from UW-La Crosse and UW-Whitewater with degrees in teaching. Currently, she serves as a supervisor on the Milton Town Board, chairs the Town of Milton Planning and Zoning Board, is a member of the Milton Joint Fire Commission, and is a chief election inspector for the township. She also serves as secretary of the Milton Grange.

Her past community involvement has included being a 4-H leader and advisory board member; Milton United Methodist Church Sunday School teacher, superintendent, and trustee; Edgerton Hospital Auxiliary officer; as well as many local and state offices in the Order of Eastern Star.

“I will continue to dedicate the time and effort needed to educate myself on the issues to better serve all our members,” Trescher said. “Reliable services, reasonable rates, and education of our youth will be my priorities. I would appreciate the opportunity to represent you for another term on the board.”

DISTRICT 4

James Quade, the incumbent candidate in District 4, lives at 4407 Old Kennedy Road in Harmony Township, where he has farmed for 46 years. He has lived on co-op lines all his life and has been an REC member for 35 years. He has served as director for the past 27 years and treasurer for 21 years.

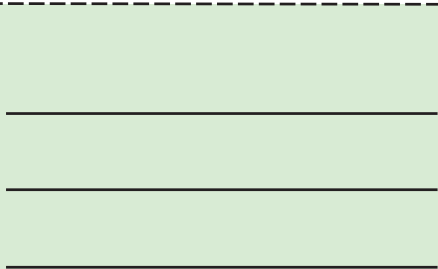


Quade also is a member of the Wisconsin Corn Growers Association, Wisconsin Soybean Growers Association, Wisconsin Farm Bureau, Rock County Agri-Business Council, and the Milton FFA Alumni.

“I enjoy having a part in making the cooperative meaningful to the membership,” Quade said. “During the past 27 years as a director, there have been many challenging issues that have come before the board. I have tried to represent what is best for you, the members of this co-op, when addressing such issues.

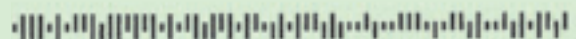
“While the energy industry will be looking to a future of change, we must strive to provide excellent service and reasonable rates for the membership. I have enjoyed the past 27 years as a director and would be proud to represent the members of REC for three more years. Thank you for your support.”

District 9 candidates continued on the back cover.



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DISTRICT 9

Wendell Boyer, the incumbent director for District 9, lives at 5402 N. Old Orchard Drive in Janesville Township. He is a retired professional engineer and operations manager with a bachelor's degree from UW-Madison. He has been a co-op member for nine years and director for three years.

He was a project manager with ThyssenKrupp, formerly Gilman Engineering, in Janesville. He was also employed as an operations manager at Kuhn North America in Brodhead, director of buildings and grounds at the Milton School District, and facilities manager at Cedar Crest in Janesville.

"I successfully managed utility costs for large facilities in the stateline area," Boyer said. "It is necessary to always be working on new strategic programs to keep costs affordable and improve reliability. Throughout my career I learned how important it is for community-based organizations to have good employee cultures so they can benefit people through outstanding customer-focused services. I have a lot of respect for the high-quality organization that Rock Energy provides. It is a privilege to serve on their board."

"I believe that we need to be fair to all members through Rock Energy's rates. Through their many programs they work to meet our ever-changing needs and help people at all income levels. It is a responsibility I take seriously, and I would be grateful for your vote to continue. Thank you for considering me."



David Diestler is a marketing consultant and zoning officer. He lives at 5832 N. Glenmoor Lane in Janesville Township and has been a co-op member for 17 years.

Diestler has a master's degree in marketing from UW-Whitewater. His experience includes working as fair park director for Jefferson County, executive director of the American Red Cross, and owner of Intrigue Marketing Inc. He has also taught classes at Blackhawk Technical College and served on the Rock County Board. He currently is zoning officer for the town of Rock.

"I have always been interested in utility companies and building a strong infrastructure," Diestler said. "I am also very interested in alternative sources of energy, best practices to produce energy, and long-term solutions to our energy consumption."

"I have served in various roles helping the community, and I would like to continue in this role as a member of the board for the Rock Energy Cooperative."



NOMINATING COMMITTEE MINUTES

The nominating committee of Rock Energy Cooperative met at Cooperative Headquarters on January 3, 2019, at 11 a.m. Board Chairman Bill Dietsch called the meeting to order.

Those in attendance were Bill Dietsch, board chairman; Shane Larson, CEO; Lance Fena, District 2; Bill Albright, District 4; and Tim Neuberger, District 9.

A motion was made, seconded, and carried unanimously to elect Tim Neuberger as committee chairperson.

A motion was made, seconded, and carried unanimously to elect Bill Albright as committee secretary.

CEO Larson and Chairman Dietsch reviewed cooperative policies dealing with board positions and nominations. A handout was previously mailed to each committee member outlining director duties and qualifications.

Names placed in nomination were:

- District 2: Marian Trescher.
- District 4: Jim Quade.
- District 9: Wendell Boyer and David Diestler.

Being no further business for the committee, the meeting adjourned at 11:39 a.m.

Respectfully submitted,
William Albright, secretary

Annual Meeting RSVP

Use this card to RSVP for the Annual Meeting & Dinner. Please respond no later than March 14, 2019.

Name _____

Address _____

Account No. _____ E-mail address _____

(if available)

(When filling out this form, please print)

_____ # of Adults for Dinner

_____ # of Children 8-12 for Children's Dinner

_____ # of Children 3-7 for Children's Dinner

Please mail this card back at your earliest convenience or drop it off at either our Janesville or South Beloit offices. You also may call (608) 752-4550 or (866) 752-4550 between 7:30 a.m. and 4 p.m. Monday through Friday or e-mail BarbU@rock.coop.