



Shane L. Larson,
Chief Executive Officer

More Power to You YOUR CO-OP MEMBERSHIP PAYS WITH CAPITAL CREDITS



I often refer to Rock Energy in this column as *your* cooperative. That's because it truly is *your* cooperative. As a member, you have equity in the co-op and financially benefit when revenue exceeds expenses in any given year.

This year Rock Energy is distributing about \$1 million in capital credits to current members on their May statements and about \$200,000 to past members. Through the years, the co-op has paid back more than \$18 million to past and current members.

The cooperative's annual profit, which becomes capital credits, is divided up according to each member's financial participation with the cooperative. So, if your annual energy bill is different from your neighbors, your capital credits for the year will also be different; it's all relative.

Your May statement shows your share of the co-op's 2018 earnings as well as your overall capital credits balance, which represents your equity in the co-op. That money is used to maintain and upgrade the system and repay associated indebtedness.

In accordance with our bylaws, the co-op's directors decide each year whether to retire capital credits based on the financial health of the cooperative. At its April meeting, the board voted to retire a percentage of capital credits, which showed up as a credit on statements of eligible members.

Many longtime Rock members are familiar with the concept of getting money back from the co-op. Until 10 years ago, members would receive a check for their capital credits retirement at our Member Appreciation Day in the fall. The checks were a visible reminder of the cooperative difference. Now, we return capital credits to members on their May statements to avoid the cost of issuing checks.

Capital credits are a unique benefit of your Rock Energy membership. As a not-for-profit business, we function differently from an investor-owned utility, which must make a profit for shareholders who might not live in the community or receive service from the utility. Co-ops, however, support our communities by putting money back into the local economy and into the pockets of those we serve.

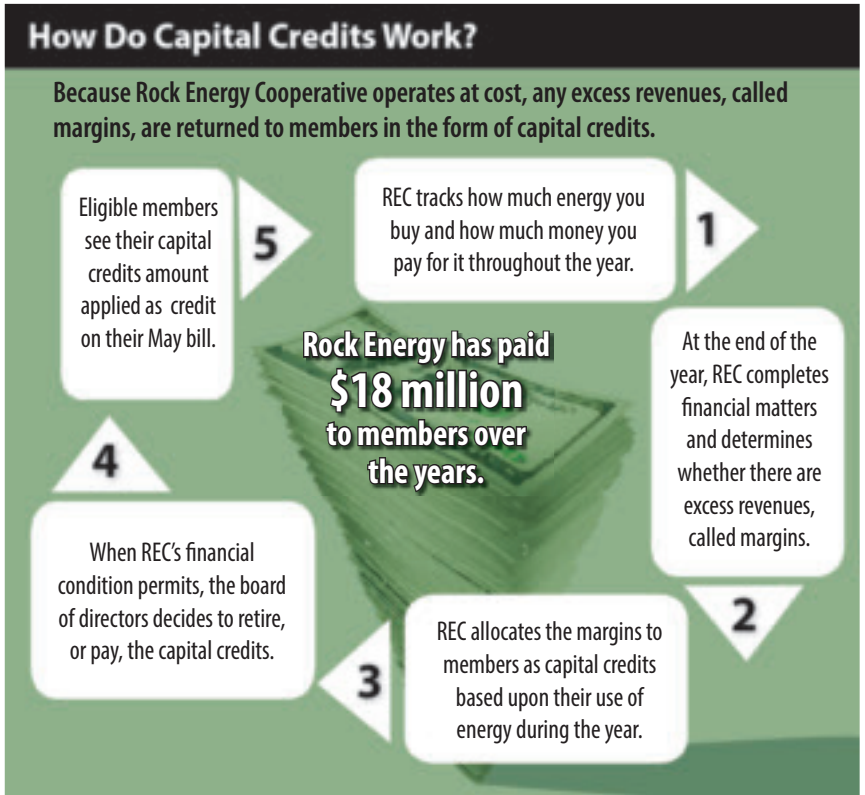
You might wonder why a not-for-profit business needs to accumulate equity. It's actually a fairly simple explanation. We receive funds to provide electricity and natural gas to members from two sources. The first is the

amount you pay for service, and the second is money that we borrow from banks. Our lenders require that we maintain a minimum equity level. We would put our financial position at risk if we did not retain enough of your capital credits to help build, sustain, and grow the co-op. Because we are financially strong, our lenders can offer lower interest rates since they have more confidence that we will repay our loans. That helps keep our energy rates lower.

The retirement of capital credits is one of the most important things we do as a co-op. Unfortunately, many members don't notice the credit on their statements. Surveys we've taken over the years show that just over half of respondents recall ever receiving capital credits. So please take a minute now to review your May statement and see how much of a credit you received. You can easily view your account by logging into SmartHub on our website, www.rock.coop. If you need help with that, just give us a call.

I hope you have a better understanding of co-op finances and capital credits after reading this column. For more information, I encourage you to read the frequently asked questions on page 20D. If you have any other questions, feel free to call us.

As always, I want to thank you for allowing us to be your energy provider. If we can do anything to improve our service, please let us know.



MY CO-OP



CONSULT US IF YOU PLAN TO INCREASE ELECTRIC LOAD

Are you planning to purchase an electric vehicle and charge it at home or build an addition to your home? Perhaps add a fan or two to cool the livestock? Is your business buying new machinery that will use electricity?

If the answers to any of these questions are “yes,” please include Rock Energy Cooperative in the planning process.

Co-op facilities are designed to meet an individual member’s initial load requirement at the time service is started. If that load is significantly increased, the capacity of the present system might not be sufficient to handle it.

When that happens, the system becomes overloaded and there’s a power outage. An overloaded system also can damage the co-op’s transformers or your electrical equipment, which might lead to expensive repairs.

Our equipment often can handle an overload for a while, but its life span will decrease significantly when the rated capacity is exceeded over an extended period of time. That means additional costs for the co-op and

may result in the member paying for the damaged co-op equipment.

So if you’re planning to increase your electric load, please call our Operations Department. Our workers will gather the needed information and determine whether

One simple call can save you from an unplanned outage and paying for costly damage...

the capacity of the present equipment is adequate. In situations where a significant amount of new load will be added, we might need to install larger service equipment or make other changes.

One simple call can save you from an unplanned outage and paying

for costly damage to your equipment or the co-op’s. Please make sure you notify us as far in advance as possible to ensure that the required service upgrade will be available when you need it.

3-Step HVAC Test

As summer temperatures rise, so do electric bills. Follow these steps to test the efficiency of your HVAC unit.

The outdoor temperature should be above 80 degrees, and you should set your thermostat well below the room temperature to ensure the system runs long enough for this test.

1. Using a digital probe thermometer (about \$12), measure the temperature of the air being pulled into your HVAC filter.
2. Measure the temperature of the air blowing out of your A/C vent.
3. Subtract the A/C vent temperature from the HVAC filter temperature. You should see a difference of about 17 to 20 degrees. If the difference is less than 17 degrees, you may need a licensed technician to check the coolant. If the difference is greater than 20 degrees, your ductwork may need to be inspected for airflow restrictions.



Join us Saturday, June 22, for Rock Energy **FAMILY NIGHT** at the **BALLPARK**



5:30 p.m. – Gates open at Telfer Park's Pohlman Field in Beloit. The first 30 kids win a special gift. (Must be accompanied by adult member.)

6:30 p.m. – Beloit Snappers vs. Quad Cities River Bandits

Enjoy a spectacular fireworks show after the game!

Stop at either our Janesville or South Beloit offices to buy game tickets. Tickets are \$2 each (\$7.50 value) and good for any 2019 regular season Snappers home game.



Show your Co-op Connections Card at the ballpark on June 22 to buy reduced-price food vouchers. Get a hot dog, chips, and soda or pizza and soda for just \$2. If you don't have a card, stop by our office to get yours free!

MY CO-OP



FREQUENTLY ASKED QUESTIONS ABOUT CAPITAL CREDITS

Q: What are capital credits?

A: Capital credits are one of the many benefits of co-op membership. As a cost-of-service energy provider, Rock Energy doesn't earn profits. Instead, co-ops use the term margins, which is any revenue remaining at the end of the year after all bills are paid. Capital credits reflect each member's equity in, and contribution of capital to, the cooperative. This differs from dividends that investor-owned utilities pay shareholders, who may or may not receive service from the utility.

Q: Where does the money come from?

A: Co-ops set rates to generate enough money to pay operating costs, make payments on any loans, and provide an emergency reserve. At the end of each year, we subtract operating expenses from the operating revenue collected during the year. The balance is called an operating margin.

Q: What's the difference between allocation and retirement?

A: An allocation is your share of the margins. We set this money aside to use as operating capital for improvements and maintenance. A retirement is the amount you receive as a credit on your statement. It is a percentage of your allocations accumulated over the years. Typically, after utilizing capital for 20 to 30 years, it is retired.

Q: Why does the cooperative need to accumulate equity?

A: Your equity in the co-op reduces the need for us to raise rates or borrow money to meet expenses. Co-ops receive their operating funds from two sources: the amount members pay for service and bank loans. Lenders require that co-ops maintain a minimum equity level, which is where capital credits come into play. Equity levels are a measure of financial strength. Higher levels give lenders more confidence that a loan will be repaid and allow them to offer lower interest rates. Without this equity, members' rates would be extremely high.

Q: Are capital credits retired every year?

A: Each year, your board of directors decides whether to retire capital credits based on the co-op's financial health. Rock Energy's ability to retire capital credits reflects the cooperative's strength and financial stability.

Q: What happens to my capital credits if I move?

A: Your capital credits remain on our books until they are retired. That's why it's important to let us know of any address changes. This year we issued checks totaling more than \$200,000 to past members.

Q: Why can't I receive my total capital credits balance when I move and no longer receive service from Rock Energy?

A: Co-ops use the capital credits system to ensure fairness across generations. The equity of members who received service decades ago was used to help keep your rates affordable when you were a member. Now, the equity of former members is doing the same for current members.

Q: My capital credits balance is so small, does Rock Energy really need that money?

A: The balance of an individual former member may be small compared to the co-op's total operating budget, but we have thousands of former members. If every former member asked for and received all their equity today, Rock Energy's costs would increase, thus impacting rates.

Q: What happens to the capital credits of a member who dies?

A: A deceased member's capital credits may be paid at a discount without waiting for a general retirement. A representative of the estate must contact us.

Q: What happens to unclaimed capital credits?

A: We do everything we can to ensure that former members get their retired capital credits. Each fall we publish a list of unclaimed capital credits. Any money that isn't claimed is placed in the Wisconsin Electric Cooperatives' Federated Youth Foundation and used for educational purposes, including scholarships and youth programs in both Wisconsin and Illinois.

HAVE A SAFE AND HAPPY INDEPENDENCE DAY!

Rock Energy Cooperative offices will be closed on Thursday, July 4, in observance of Independence Day. We will reopen at 7:30 a.m. Friday, July 5. Members can make payments in the drop boxes at both offices during the holiday. Even though our offices are closed, standby crews are always available 24 hours a day. If you need to report a power outage, please call 866-752-4550.

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COOPERATIVE**
Empowering Members Since 1936