

# JAMMUP

published by Southern Illinois Electric Cooperative, Dongola, Illinois

Your Touchstone Energy® Partner 

## Power generation: why coal?

by General Manager Larry Lovell

Recently, a member posed some excellent questions about the energy debate. I appreciate his questions and the chance to respond. He wanted to know three things: If the generating plant that Southern Illinois Electric Cooperative buys its power from uses Illinois coal, low sulfur western coal or eastern coal? What do most of the plants in our region use? And as gas prices go down is there any talk of switching to gas in the region?

Southern Illinois Electric Cooperative buys its power from Southern Illinois Power Cooperative (SIPC). SIPC has two coal fired plants located at the Lake of Egypt south of Marion. Unit 123 burns a coal/carbon mix. Carbon is really coal waste and has a lower Btu output than coal. Unit 4 burns exclusively coal. All the coal is purchased from Illinois mines. Most of the carbon comes from Illinois, although some of the tonnage comes from Kentucky. The Marion generating plants can burn Illinois coal because SIPC has system-atically installed pollution control equipment that removes most of the SO<sub>2</sub> and NO<sub>x</sub> and other pollutants. All coal and carbon purchased is trucked in to the plant. SIPC also has two natural gas peaking plants located at its Marion location. Because the gas plants use simple cycle technology, it is usually



SIPC, Lake of Egypt

cheaper to burn coal. The gas plants are only used when it is really hot or really cold and additional generation is needed.

SIPC also owns about eight percent of the capacity from the new Prairie State Generating Company (PSGC). PSGC has two 800 MW coal-fired plants located in Washington County. Its source of fuel is from an Illinois coal mine that sits adjacent to the generating plants. PSGC has installed the latest technology and is one of the most environmentally friendly, cleanest burning power plants in the nation.

Most of the other coal burning power plants in Illinois and the sur-

rounding area have not installed pollution controls. Thus, they burn primarily lower sulfur western coal that is brought in by rail. Because the new environmental rules and regulations are becoming more stringent, many companies who have not yet added pollution controls are shutting their plants down instead of upgrading them. Coal fired generation is becoming less prevalent. You may have read that Ameren Illinois is getting out of the generating business. They recently sold the majority of their plants to Dynegy. In the past, coal fueled sixty percent of the nation's power but

Continued on page 16b ▶

■ Power continued from 16a

now only provides about thirty-eight percent of the nation's power needs.

As you can see, SIPC has made a long-term commitment to coal. While it is true that natural gas has been very cheap over the last couple of years (less than \$2), it is beginning to rise in price, and natural gas futures are now over \$4.

There has been a lot of press coverage concerning power marketers and aggregators offering cheaper power. We are already seeing that some of those savings are short term and risky. I just read that a few cities near Chicago who signed on with aggregators and power marketers two years ago will soon be paying more than Commonwealth Edison's projected rates. I expect to see more of this in the future.

Many aspects of power generation are cyclical and unpredictable. Not too many years ago before the economic downturn, coal-fired generation was cheaper as natural gas prices hovered around \$8-\$12. We at SIEC and SIPC think that, as the economy grows, coal generation will again be cheaper because more and more generation will ultimately be supplied by natural gas. Coal-fired generation is shutting down and the newer plants being built are almost exclusively natural gas-fired combined cycle generation. Thus, we believe that supply and demand will drive natural gas prices higher.

An analogy that we like to use is: "Coal generation is similar to a thirty year fixed rate mortgage, while natural gas generation is similar to a variable rate mortgage that re-prices in two to three years". At SIEC and SIPC, we chose the long-term solution over the riskier, short-term savings.

# 2012 Capital Credit Allocations

## \$1,219,842.60

2012 Allocation Factor: .04419550

### What does this mean to you?

Margins from 2012 in the amount of \$1,219,842.60 have been allocated to members who received electric service from SIEC during 2012. The factor used for allocation is .04419550. To calculate your specific allocation, multiply the total amount you paid for electricity in 2012 (less state taxes) by the 2012 allocation factor. This is the total amount of capital credits earned and credited to your capital credit account.

### Example: SIEC fictitious residential member - John Doe

- John Doe's total amount paid for electric service in 2012 (less state taxes) = \$1,772.17
- Multiply \$1,772.17 by the 2012 Allocation Factor .0441 = \$78.15
- John Doe would have \$78.15 allocated to his capital credit account for 2012

When the Board of Directors determine it is financially feasible, SIEC will distribute money back

based on capital credits allocated to you in the year marked for return. SIEC's last capital credit distribution was in 2012 for the partial usage year of 1984.

If you have questions about your capital credit allocation, please call Bree at 1-800-762-1400.

Please note: To receive capital credits you must be a member and have electric service in your name. If your service is in someone else's name, capital credits will be assigned to that person. If your service is in the name of a deceased person, it would be helpful if you would contact the Cooperative and have the service changed to your name. Please remember to provide us with your new address if you ever move off of our electric lines, so we can send you future capital credit checks.

What other electric companies distribute their profits to their customers? An Electric Cooperative does, because YOU are a MEMBER! You, along with all of our members, own Southern Illinois Electric Cooperative!

## NOTICE:

The Official Meeting Notice for the 2013 Annual Meeting of Members will be mailed with your July electric bills as an insert. It will not be mailed with your August Illinois Country Living magazine due to cost controls.



**Please attend the 2013 Annual Meeting  
of Members,  
Thursday, August 8  
at Shawnee Community College.**

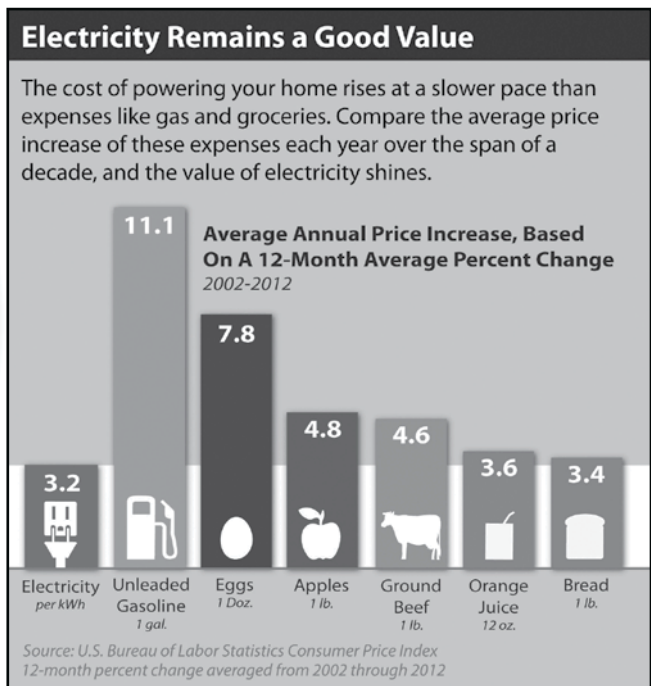


*Watch for details in the August issue of the Illinois Country Living magazine and in your July electric bill, being mailed on July 31.*

*It's our 75th Co-op Anniversary.*

*Come see why 75 years of membership is so valuable!*

**Safety Tip:**  
Swimming pools are a blast, but keep away everything that uses electricity!





See page 9 for the Miss Southern Illinois Electric Cooperative pageant entry form.



*Tip of the Month*

**Close your blinds during the day to keep the sun from shining through!**

**Southern Illinois Electric Cooperative Board of Directors**

- Carole J. Kelley (President) ..... Johnson Co.
- G. Robert Inman (Vice President) ..... Pulaski Co.
- William E. Littrell (Secretary-Treasurer)..... Union Co.
- Larry A. Douglas ..... Massac Co.
- David Martin ..... Massac Co.
- Scott Miller ..... Alexander Co.
- Richard D. Moss ..... Alexander Co.
- Dale E. Taake ..... Pulaski Co.
- Scott L. Ury..... Union Co.

Ronald E. Osman (Attorney)

Manager Larry Lovell \* Editor Jerri Schaefer

**For Outages Call:  
800-762-1400 \* 618-827-3555**



**Office closing**

*Our office will be closed Thursday, July 4th, for Independence Day*

**Member prize**



In this issue of the JAMUP, we printed the names of three SIEC members who are eligible to receive a \$10 credit toward their utility bill. If you find your name printed in this center section and it's not part of the story, call Jerri with your account number at **800-762-1400** to claim your prize.

**Southern Illinois Electric Cooperative**

7420 U.S. Highway 51 South • P.O. Box 100 • Dongola, Illinois 62926  
618-827-3555 • Office hours: 8 a.m. — 4 p.m. • Web address: [www.siec.coop](http://www.siec.coop)