

# Spoon River News

## President's Report



William R. Dodds  
President/CEO

## YOU get the credit

*Spoon River Electric's Board of Directors, at their August meeting, voted to retire more than \$450 thousand in capital credit to its members, the largest single distribution in the history of the cooperative.*

It's time for you to get the credit – capital credits, that is – for helping build, sustain, and grow your local electric cooperative. This fall Spoon River Electric retires – or pays by cash or credit – more than \$450 thousand to members like you across portions of five counties served by the co-op.

When you signed up to receive electric service from Spoon River Electric you became a member of an electric utility. While investor-owned utilities return a portion of any profits back to their shareholders, electric co-ops operate on an at-cost basis. So instead of returning leftover funds, known as margins, to folks who might not live in the same region or even the same state as you do, Spoon River Electric allocates and periodically retires capital credits (also called patronage dividends, patronage refunds, patronage capital, or equity capital) based on how much electricity you purchased during a year.

This year, members from years 1974, 1993, 1994, 1996, 1998, and 2004 will receive capital credit retirements through a check in the mail, reflecting their contribution of capital to, and ownership of, the cooperative during those years. That may seem like a long time ago. However, those funds helped us keep the lid on rates, reduced the amount of money we needed to borrow from outside lenders to build, maintain, and expand a reliable electric distribution system, and covered emergency expenses.

For more information on this part of the cooperative business, read the following Q&A:

### COMMON CAPITAL CREDITS QUESTIONS:

#### WHAT ARE CAPITAL CREDITS?

An electric cooperative operates on an at-cost basis by annually “allocating” to each member, based upon the member’s purchase of electricity, operating revenue remaining at the end of the year; later, as financial condition permits, these allocated amounts – capital credits – are retired. Capital credits represent the most significant source of equity for Spoon River Electric. Since a cooperative’s members are also the people the co-op serves, capital credits reflect each member’s ownership in, and contribution of capital to, the cooperative. This differs from dividends investor-owned utilities pay shareholders, who may or may not be customers of the utility.

#### WHERE DOES THE MONEY COME FROM?

Member-owned, not-for-profit electric 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.”

#### HOW ARE MARGINS ALLOCATED?

Margins are allocated to members as capital credits based on their purchases from the cooperative—how much power the member used. Member purchases may also be called patronage.

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# Safety for all

By Meghaan Evans

Spoon River Electric has always been dedicated to providing safe, reliable and affordable utility service to you, our member-owners. The lengths we go to keep you, your family and our linemen safe are a point of pride for us and are never taken lightly.

From acquiring new equipment and implementing new procedures – including installation of new breaker systems that react more quickly in case of a disruption – to increasing awareness of back-up generator systems within the cooperative community and supporting the Rural Electric Safety Achievement Program (RESAP), America's electric cooperatives strive to promote the highest standard of safety.

A lot has changed for the electric utility industry in the United States over the last 130 years. In the 1880s, power came to New York City through the direct current (DC) supply method. Direct current supply required generation stations to be within a mile of a consumer's home, which was great for city residents – but not so great for those living in the suburbs or rural areas.

Because of its inability to travel long distances – and the higher cost

– the DC system eventually lost out to the more economical alternating current (AC) system. The AC system allowed power to travel across greater distances through the use of transformers located at power stations. These transformers required higher voltage to pass through stations in order to bring power to homes at the end of the wire. This increase in voltage spurred the need for increased electrical safety procedures.

High voltage is considered in the U.S. to be a voltage above 35,000 volts. Designations of high voltage also include the possibility of causing a spark in the air or causing electric shock by proximity or contact.

High voltage wires and equipment are a constant danger for cooperative lineworkers, but they can also pose a danger to cooperative members. That is why electric cooperatives are proud to be at the forefront of electrical safety equipment development, as well as electrical safety education.

“Our line crews participate in monthly training sessions,” said Frank Romane, Manager of Operations. “These courses ensure

that our employees are constantly reminded of the safety aspect of the job and the importance of using equipment in the safest manner possible.”

In addition to safety training for employees, Spoon River Electric is continuously raising awareness of electrical safety in our communities by performing demonstrations at local schools and community events. There, we show members just how easy it is for an accident to occur when working with electricity and how to prevent these dangerous, and sometimes deadly, mishaps. We also increase awareness of electrical safety by engaging with volunteer fire departments, emergency medical teams and sheriff's departments on a regular basis, offering education courses and demonstrations. These programs keep service men and women, as well members of the community, safe.

At Spoon River Electric, we know that the more people we have in our communities who are knowledgeable about electrical safety, the safer we all will be. That's why we strive, every day, to raise awareness of, and encourage development in, electrical safety.



## Energy Efficiency

### Tip of the Month

Fall is here, and that means colder months will be here before we know it. Is your home prepared for the drafts that may enter? Tight-fitting insulating drapes or shades are a perfect way to keep the heat in and the cold out.

Source: U.S. Department of Energy



# Principles in action

*There are Seven Cooperative Principles that give all co-ops guidance.*

*By Adam Schwartz*

October is National Co-op Month. The time of year when the 29,000 plus co-ops in the U.S. take a few moments to ensure their employees, members and the general public truly understand the value of the cooperative business *they own*. While I applaud any effort that brings more attention to co-ops, my feelings are best represented by a T-Shirt slogan, "October is Co-op Month - But I Cooperate All Year Long!"

Cooperatives around the world operate according to the same core principles and values, adopted by the International Co-operative Alliance (ICA). Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844.

All cooperative businesses have at their foundation these seven cooperative principles to follow:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation Among Cooperatives
7. Concern for Community

One of the ways co-ops demonstrate that they are different from investor-owned businesses is by actually living the principles. Principle 6: Cooperation Among Cooperatives, is our focus this month, and there are



many examples that demonstrate how co-ops do this every day. In theory this sounds so simple, answering the question, "Can't we all just get along?" As it turns out, it's easier to get along when we focus on what our personal or organizational self-interest is - and find others who have a similar self-interest.

This is how Spoon River Electric got started. Ordinary folks realized they would be better off working together if they wanted to bring electricity to their community. Once the co-op was established, we soon realized that if we work with our sister co-ops, we can gain control of our power supply, so we formed over 60 generation and transmission cooperatives such as Prairie Power, Inc., your local generation and transmission cooperative.

This pattern kept repeating, and soon electric co-ops cooperated to form new co-ops that offer a variety of services, such as financing, insurance, IT services and more to ensure that

they had ownership and control over these core products. This was done to help serve you, our member-owners, by making sure there would be no interruption in these vital services that help us bring electricity to you.

This *cooperation among cooperatives* continues today, not only with co-ops directly related to the provision of electricity but in other sectors as well. Electric co-ops partner with credit unions, food co-ops, housing co-ops and others to help bring critical services to rural residents and businesses throughout the country. Menard Electric Cooperative and McDonough Power Cooperative are just a few cooperatives Spoon River Electric works very closely with.

So while we take special note of the value of our cooperative in October, we are delighted to be a part of our community delivering vital services to you all year long.

Credit continued from 16a

### **DOES AMEREN RETIRE CAPITAL CREDITS?**

No. Within the electric industry, capital credits only exist at not-for-profit electric cooperatives owned by their members.

### **ARE CAPITAL CREDITS RETIRED EVERY YEAR?**

Each year, the Spoon River Electric Board of Directors makes a decision on whether to retire capital credits based on the financial health of the cooperative. During some years, the co-op may experience high growth in the number of new accounts, or severe storms may result in the need to spend additional funds to repair lines. These and other events might increase costs and decrease member equity, causing the board not to retire capital credits. For this reason, Spoon River Electric's ability to retire capital credits reflects the cooperative's strength and financial stability. The board alone decides whether to retire capital credits.

### **DO I LOSE MY CAPITAL CREDITS IN THE YEARS THE CO-OP DECIDES NOT TO MAKE RETIREMENTS?**

No. All capital credits allocated for every year members have been served by Spoon River Electric are maintained until such time as the board retires them. Prior to this year, Spoon River Electric retired all capital credits from 1938 through 1973.

### **WHAT YEARS WILL BE RETIRED IN 2014?**

Spoon River Electric will be retiring all of the remaining capital credits to members who purchased electricity from the cooperative in 1974, 1993, 1994, 1996, 1998, and 2004.

### **HOW MUCH WILL BE RETIRED IN TOTAL IN 2014?**

\$457,969.54

### **I DID NOT GET ELECTRIC SERVICE FROM SPOON RIVER ELECTRIC IN 1974, 1993, 1994, 1996, 1998, or 2004. WILL I GET ANY RETIREMENT?**

No. This year, capital credit retirements will only be made to members who purchased electricity in years, 1974, 1993, 1994, 1996, 1998, and 2004.

### **HOW MUCH HAS SPOON RIVER ELECTRIC PAID IN TOTAL CAPITAL CREDIT RETIREMENTS SINCE IT BEGAN IN 1938?**

Spoon River Electric has paid \$947,297.52 in capital credit retirements to current and former members to date.

### **HOW OFTEN DO MEMBERS RECEIVE CAPITAL CREDIT RETIREMENTS?**

The Spoon River Electric Board of Directors makes a decision each year whether or not to retire capital credits. When the cooperative is strong enough financially and member equity levels high enough, the board directs

staff to retire some portion of past years' capital credits.

### **HOW WILL THE RETIREMENT WORK?**

Active members who purchase electricity from Spoon River Electric and those inactive or former members who no longer purchase electricity from Spoon River Electric (but who purchased electricity during the years; 1974, 1993, 1994, 1996, 1998, and 2004 which are being retired) will receive a check before the end of 2014.

### **WHAT IF I HAVE MOVED?**

If you move or no longer have electric service with Spoon River Electric, it is important that you inform the cooperative of your current address, so that future retirements can be properly mailed to you. If you purchased electricity during the years being retired, then you are entitled to a capital credit retirement, even if you move out of the Spoon River Electric service area. If it has your current address, then Spoon River Electric will send your retirement check by mail.

## **Spoon River Electric Cooperative**

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8:00 a.m. – 4:30 p.m.  
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#### **President/CEO**

William R. Dodds  
[bdodds@srecoop.org](mailto:bdodds@srecoop.org)

#### **Chairman**

Bernard Marvel, Browning

#### **Vice Chairman**

Terry Beam, Cuba

#### **Board of Directors**

James Banks, Canton  
Jack Clark, Lewistown  
Greg Leigh, Avon  
John Spangler, Marietta

#### **Secretary**

Steve Pille, Glasford

#### **Treasurer**

Lyle Nelson, Abingdon

#### **Assistant Treasurer**

Robert Lascelles, Ipava

#### **Editor of Spoon River News**

Taryn Martin  
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### **Spoon River Electric Cooperative – By the Numbers**

Miles of line energized: 1,255 • Number of members served: 4,808  
Number of power poles in territory: 29,255