

Good evening. My name is Phil Kinser and I am the CEO and General Manager of the Cooperative.

As member-owners, this is your cooperative and I thank you for making the commitment to attend.

### **Local Co-op Leadership**

A cooperative does not function properly without strong leadership.

Your board of directors is democratically elected from the membership to represent your interests and to provide long-term vision and

direction. We hold true to our mission to ***Provide safe and reliable***

***electric service, while also advancing community and***

***economic development opportunities, in a manner consistent***

***with sound cooperative business practices and values.*** Here are

a few examples.

Southwest Iowa REC manages a Revolving Loan Fund, made possible by

USDA grant funds and REC matching funds. A total of 13 loans have

been made totaling \$1,998,328. As these loans are repaid, the principal and interest remain in the Revolving Loan Fund to be used again and again for economic and community development. Three new loans were approved in 2014.

In 2009, Operation Round Up was initiated. Members that participate in Operation Round Up agree to have their electric bills rounded up to the next dollar and the extra cents are placed in a special fund to be used only for assistance to individuals and organizations in our service territory with a demonstrated need. To date, a total of \$152,475 has been awarded to assist many types of requests.

Annually, Southwest Iowa REC accepts scholarship applications from high school seniors planning to further their education. A total of 12 - \$500 scholarships are awarded to students in our service territory and we also make 2 - \$1000 scholarships available to students pursuing a career as a power lineworker.

Strong leadership is essential to Southwest Iowa REC, and we are also blessed to employ many dedicated and committed people who manage the day-to-day operations of the co-op and keep your lights on.

John Allen is being recognized this year for completing 20 years of service and Nathan Weeda for completing 10 years of service. I would also like to take this opportunity to thank the employees for preparing for and putting on an excellent meeting tonight. I would also like to thank the Board of Directors on behalf of all employees for their support and for making sure we have what we need to serve the members.

We are proud to be locally owned and managed and because of that, we can provide the best possible service to you.

Earlier this year, a new phone system was installed that utilizes a single phone number. With the new system, members can simply call **(888) 220-4869** toll-free to reach any of our three locations. Calls will be

answered by an auto attendant that will then get you to the right location or person quickly.

With one phone number instead of three, we function more as one organization and are better able to provide member support. As part of this change, our Internet service was also upgraded which will be a great benefit in responding to our members.

We also contracted with the Cooperative Response Center or CRC in Austin, Minnesota to handle our after-hours outage calls. CRC is a nationwide, cooperatively owned and operated, 24/7 contact center. They provide services to over 300 electric utility members and associate members in 41 states, representing over 6 million consumers. This change will result in a greater capacity to handle after-hours outage calls and provide an enhanced level of service to our member-consumers.

In November we will be rolling out some new member engagement programs. SmartHub replaces our current eBill program and is a tool

that provides convenient account management and detailed usage information online or on your mobile device. You can even choose to go paperless and only receive your bill electronically. Another enhancement is Pay-By-Phone which will provide an 800# that members can call to pay their bills with a credit card, debit card or checking account. A more detailed explanation of the new programs will be included in the October newsletter.

As your co-op plans for the future, we do see some significant challenges on the horizon.

### **Distributed Generation**

One such challenge is referred to as Distributed Generation or DG. As technology and energy policy changes, consumers in many parts of the United States are choosing to install their own solar generation on their roof or property. It's important to note that those who choose to install an on-site solar system to generate some of the power they consume still use the electric grid 23.99 hours of the day – they use the grid to

sell any excess power they generate and they use the grid as a back-up power source for when the sun doesn't shine or generate enough electricity to meet their demand. Whether a co-op member uses just one kilowatt-hour of electricity in a month or one thousand kilowatt-hours of electricity in a month, the co-op must still maintain a safe and reliable infrastructure of substations, poles and wires. Your co-op is working to make sure that those members who use the electric grid are paying their fair share to maintain it.

If you're considering installing a solar generation system, we encourage you to talk to us early in the process. We can provide you with a checklist of information and questions to consider in the decision-making process. Please ask us any questions you may have about distributed generation and on-site solar systems. We'd be happy to sit down with you and talk about your energy goals and discuss ways we can help you use energy wisely and save money on your electric bills.

## **Rate Change/Cost of Service Study**

At Southwest Iowa REC, we value our ability to balance doing what's right for our member-owners while working to ensure the long-term sustainability of your cooperative. We have recently completed a cost of service study to evaluate revenue requirements and rate structures. Based on cost-of-service analysis, an increase in revenue is not currently needed but rate design changes are. Your board is working hard to determine a fair and balanced rate approach that will position the co-op for a rapidly changing future. Effective November 1<sup>st</sup>, a new revenue neutral rate structure will become effective that recovers more of our fixed costs in the monthly fixed Availability Charge and less through charges for kilowatt hour usage. The monthly fixed Availability Charge increases from \$25 to \$29 but the energy charges are lower. A member that used the class average 941 kilowatt hours of electricity in 2014 would have seen a very slight decrease in their bill. A detailed

explanation letter will be inserted with the electric bill you receive in October. This change is not a rate increase for the Cooperative as it is an overall revenue-neutral change. Some members will see an increase and some will see a decrease depending on their average use but this action helps protect the financial integrity of the Cooperative which protects all members.

### **EPA 111(d)**

Another challenge currently facing the electric industry involves President Obama's Clean Power Plan. He has directed the Environmental Protection Agency to develop policies to regulate carbon dioxide from electric generating plants under the authority of the Clean Air Act section 111(d). Last year, more than 1 million comments were filed from cooperatives all across America, urging the EPA to consider cost and reliability impacts that these proposed regulations will have on consumers.

The EPA has reviewed these comments and released their final regulations for each state in early August. Iowa's electric cooperatives are working with other Iowa electric utilities, the Department of Natural Resources, the Iowa Utilities Board, and the Iowa Economic Development Authority to develop a state implementation plan that complies with EPA mandates regarding carbon dioxide emissions. The state plan must be submitted for EPA approval by June of 2016.

Southwest Iowa REC is committed to providing safe, reliable, affordable power that is environmentally responsible and we are working towards solutions that will minimize cost impacts and reliability concerns.

### **Iowa Rural Power**

With the Iowa Caucus season in the national spotlight and as the candidates travel the campaign trail, we should all encourage the Presidential hopefuls to think about long-term plans to ensure affordable, reliable electricity. Ask them one simple question: ***“What’s your plan to ensure reliable, affordable power in the future.”*** Our goal

is to foster a grassroots dialogue with the candidates and engage them on issues that are important to rural Iowans. If you see green “Rural Power” shirts at a candidate event, you can be sure that they will advocate for you by asking the candidates about their plans.

## **Conclusion**

October is National Cooperative Month and as I think about the challenges that face electric cooperatives, I have no doubt that we can navigate these issues and do what’s best for our member-owners. We exist to power the lives of our members and to empower the communities we serve.

Thank you for attending your cooperative’s annual meeting tonight. We look forward to serving your energy needs in the year ahead.