

SOUTHWEST LINES

SOUTHWEST IOWA RURAL ELECTRIC COOPERATIVE

Your Touchstone Energy® Cooperative 

OFFICE HOURS 7:30 AM TO 4:00 PM Find us at www.swiarec.coop

REMINDER

**Annual Meeting will be
September 23, 2014**

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- **BEFORE DIGGING...**
CALL 811 – Make sure underground lines are located **BEFORE** you start to **DIG!!**

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- **In case of Down Power Lines REMEMBER:** no matter what vehicle you're in (tractor, car, pickup, combine) – always remember to:
 - Stay in the vehicle
 - Call for help
 - If you **MUST** exit the vehicle (in case of fire) **JUMP CLEAR!**
 - Never touch the vehicle and the ground at the same time. It could be a deadly mistake!
 - Do not touch any wires!

Corning Office

1801 Grove Avenue
Corning, IA 50841
(641) 322-3165
888-591-1261

Stanton Office

415 Broad Avenue
Stanton, IA 51573
(712) 829-2211
888-591-1260

Mt. Ayr Office

1502 W. South Street
Mount Ayr, IA 50854
(641) 464-2244
888-220-4869

The Co-op Connections Card Puts Value in your Wallet

Southwest Iowa REC's commitment to you goes beyond providing safe, reliable and affordable electricity.

We're always looking for ways to provide value to our members and our community, especially during tough economic times. Southwest Iowa REC's Co-op Connections Card is a money-saving tool we're proud to offer our membership. The card connects you with discounts on everything from hotel stays to prescription drugs.



Looking to buy new furniture? Shop now with Offspring's Furniture (in Mt. Ayr) and receive a discount on your next purchase! Needing to send flowers for a birthday, anniversary or just because to that special someone?! Visit Country Blossoms (in Mt. Ayr) for your local discount on your next order! A wide variety of merchants throughout our community accept the card, including Gerald's Plumbing and Heating in Mt. Ayr. Be sure to present the card at the register to receive your discount!

We hope local businesses participating in the Co-op Connections program benefit from increased traffic from Southwest Iowa Rec's members. Businesses can sign up for the program at no cost. For a complete list of all participating businesses in our area, simply log on to our website www.swiarec.coop and follow the Co-op Connections Card link.

The card also gives you access to online savings at more than 95 national retailers like Barnes&Noble.com, Hertz Rental Cars, Best Western hotels and ProFlowers.com. You can check out these great national discounts at www.connections.coop.

One of the most valuable features of the Co-op Connections Card is the pharmacy discount. While it is not insurance, the discount can mean savings of up to 85 percent off prescription drugs. The logo and information on the back of your card is recognized at more than 60,000 national, regional and local pharmacies.

The pharmacy discount has been widely used by members of Touchstone Energy co-ops across the country, resulting in combined savings of nearly \$20 million on prescriptions.

Want to find out more? Log on to www.locateproviders.com to search for pharmacies in our area honoring the card. Use code 22203 as the group number under the "Groups" login section. Next, enter your zip code.

As a Touchstone Energy co-op, Southwest Iowa REC strives to serve our members according to four core values: integrity, accountability, innovation and commitment to community. Our Co-op Connections Card is one of the ways we live up to those values. Please contact your local Southwest Iowa REC office if you are in need a Co-op Connections Card.

We're eager to answer any questions you have about the card and how to take advantage of the discounts it provides. Call us at 888.220.4869 to find out more, or log onto www.swiarec.coop.

**Manager's
Comments**



Phil Kinser

**Southwest Iowa REC
Mission Statement:**

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.

Thanks.....

Thank you for awarding me one of your \$500 scholarships. I am looking forward to college at Morningside. The scholarship will be most helpful!

Thanks, *Dylan Amdor*

Thank you, Southwest Iowa REC, for selecting me to receive a \$500 scholarship.

Hagan Willis

Thank you so much for choosing me to be the recipient of your scholarship. I really appreciate your generosity and can assure you that I will be using it towards a good education!

Thanks again, *Moriah Kammerer*

Thank you so much for selecting me as a recipient of your \$500 scholarship. This money will definitely come in handy as I continue my education at Northwest Missouri State University next fall. It's so great to have so much support from different businesses throughout the area! Your support is most appreciated!

Thanks so much! *Syndey Maynes*

Thank you for awarding me the \$500 scholarship. I plan on using this award to assist me with the tuition at Buena Vista University in Storm Lake, IA. I am very excited for college and my future.

Thanks again, *Paige Fast*

Cost Allocations Flow To Those Who Benefit From Service

Southwest Iowa REC has a proven track record of supporting economic development, while simultaneously delivering power that is affordable, safe, reliable and environmentally responsible. Through our programs and services, we help new businesses to locate in our service territory and assist existing businesses, including agricultural operations, to expand their operations.

To ensure all electrical needs are adequately met, we plan for system reliability and safety. Electrical systems must be installed according to applicable codes and maintained and operated in compliance with established standards. Southwest Iowa REC and CIPCO, our generation and transmission cooperative, have robust plans for the construction, operation, inspection and maintenance of our systems. The state of Iowa provides regulatory oversight of all electric utilities' written inspection and maintenance plans. While the regulation for safety and reliability resides at the state level, your locally elected cooperative board members are typically responsible for the economic regulation, including policies for line or system upgrades.

When line or system upgrades are necessary to serve load growth, some costs are assigned to specific groups based on the configuration of our electric delivery system. This can vary for residential, commercial and industrial member-owners. For example, power line upgrades may be necessary to effectively meet the demands of load growth in a commercial or industrial setting. In those instances, when a concentrated area such as an industrial park is being served, it is generally easier for Southwest Iowa REC to plan for load growth and the subsequent costs of upgrades, which may in turn be shared among that specific customer group. When initially designing the electric delivery system to serve a large load center, we have an enhanced ability to anticipate and plan for load growth, which can help to minimize the cost impact of future upgrades.

In our more rural, agricultural settings, member-owners are more geographically spread out or closer to the "end of the physical power line" configuration. When we have a farther distance to build or upgrade lines, the more cost-intensive the project is for Southwest Iowa REC. In these cases, oftentimes only one or just a handful of people will benefit from system upgrades. Therefore, it may not be appropriate to charge all member-owners for these costs. For example, if a member-owner builds a home into a very remote area of the woods, should that person pay for the cost to get the line into the woods or should that cost be borne by all member-owners? Electric utilities review who benefits from the extensions or upgrades, and then the costs are generally assigned to those that benefit.

If you are considering a significant change to your electrical needs, or if you are planning to add a distributed generation system on your property, contact Southwest Iowa REC at the outset of your planning process. By being able to plan for your service needs, we can continue to provide you with safe, reliable and affordable electric service.

Beyond the basic costs of building and maintaining infrastructure, many factors are currently placing additional cost pressures on providing electric service, including:

- **Reduced energy sales or limited kilowatt-hour sales growth.**
- **Technology changes.**
- **Increasing federal and state laws and rules from the legislative, judicial and executive branches of government.**
- **Requirements related to electric facilities such as burying lines underground for aesthetic reasons.**
- **Installation of distributed generation from various fuel sources, including wind, solar and methane.**

2013 Cipro Power Supply Report

By: Dale Walkup, Representative on the CIPCO Board of Directors

In the co-op world, we are united as fellow member-owners equipped with the power of our voices to have a say in how our co-op is run. As a Southwest Iowa REC director and representative on the board of our wholesale power supplier, Central Iowa Power Cooperative (CIPCO), it's my responsibility to listen.

It's also my responsibility to speak on behalf of you, our member-owners, while ensuring CIPCO is meeting the energy needs of its 13 member electric cooperatives and associations, including Southwest Iowa REC. The quickly changing landscape of our industry continues to present challenges, but we've made the commitment to deliver safe, reliable, affordable power to you every day. It's why electric cooperatives were created, and it's a promise we intend to keep.

One thing CIPCO prides itself on is that in the face of increased pressure to reduce carbon emissions, we have proactively worked to invest in new electric generation resources to create a balanced and diverse energy portfolio. Today, in fact, 60% of CIPCO's energy is generated from carbon-free and emissions-free resources. In comparison, the average power supply fuel mix for electric utilities in the Midwest region is only 26% carbon- and emissions-free.

What this means for you is that as a result of smart investments on behalf of CIPCO, our co-op will be impacted to a lesser degree than our Midwest counterparts in this changing and ever-increasing regulatory environment.

In what could perhaps be the most telling instance of how our industry has changed in recent years, Fair Station, the 53-year-old coal power plant in Montpelier, Iowa, ceased burning coal Nov. 2, 2013. The rapid development of energy markets made the plant increasingly less competitive and the upgrades necessary to keep it efficient and in compliance with new federal regulations made it cost prohibitive to maintain.

Every year the percentage of wind-generated electricity tops record levels in Iowa and currently hovers at just over 25%, the highest in the nation. CIPCO, for its part, entered into contracts with two small wind projects at Greenfield and Fontanelle. And there was a brand new resource added to

the list of contract purchases: a gas-to-energy system at the Linn County Solid Waste Agency landfill. The \$3.2 million system has exceeded early expectations and is on track to pay for itself in a few years. The amount of energy the system is producing is enough to power more than 1,000 homes!

CIPCO's business approach to be financially prepared and manage risk continues to pay off and is an important strategy for creating value to Southwest Iowa REC. It's also the driving factor behind why Standard & Poor's and Fitch Ratings both affirmed CIPCO's "A" credit rating last year with a stable outlook. Electric sales reached \$2.8 million megawatt hours in 2013, with a peak of 594MW reached in August, 15.5MW lower than the previous year. Lower fuel expenses and overall lower pool energy costs coupled with high demand and on-budget energy sales were the primary factors leading to three power cost adjustments in 2013. The combined impact of these rate decreases resulted in a total savings of \$4.4 million to CIPCO's membership. The average system rate of \$64.29 mills per kilowatt hour was down from the prior year.

Cooperatives aren't like other businesses in our community. We're not focused on making a profit –at our core we exist to meet community needs. Being a Southwest Iowa REC member-owner also means receiving the benefit of patronage dividends, or excess revenue that is credited back to you. The CIPCO board recently authorized payment of \$6.6 million in patronage based on a total operating revenue of \$191.4 million. The board also authorized payment of \$294,340.42 to Southwest Iowa REC as part of these margins.

When our co-op was formed, the biggest concern for the communities we now serve was a lack of power. We have electricity now –in fact, it's a given. You likely only think about your electric service when a storm or wayward animal knocks out the lights or when you pay your monthly bill. We've met that need, and the teams at both CIPCO and Southwest Iowa REC are committed to delivering safe, reliable and affordable electricity to the membership. As your elected CIPCO Director, I will work diligently on your behalf to ensure the power supply needs of Southwest Iowa REC.

Nominating Committee Meets

The Board appointed Nominating Committee of Doug England, Blaine Sunderman, Doug Calkins, and John A. Overholtzer met on Wednesday, June 18th and nominated the following members of the Cooperative for the office of Director for the ensuing term of three (3) years each, all to be elected at the Annual Meeting to be held September 23, 2014:



Pictured left to right: Blaine Sunderman, Doug Calkins, Doug England, John A. Overholtzer

District #2:
Deb Creveling;
Marilyn Werner

District #6: Lee
Brooke, Rich Fast

At-Large Region
1: Charles
England; Ken
Peppmeier

Doug England
Chairman –
Nominating
Committee

Thanks..... continued

Thank you very much for choosing me to receive your scholarship. This contribution will be a great help in the next step of my education. The money will definitely be put to good use. Thanks also Mr. Ballantyne for being at graduation.
Thanks, **Danny Savage**

It is my distinct pleasure to have this opportunity to thank you for your demonstrated good will and interest in our students in the Stanton Community Schools. Your generosity has been most appreciated by students, their parents and all of the citizens of our community. We want you to know that we are so grateful to you for your interest in our young people.

Thank you very much, **Sheila Mainquist**
Stanton Community School Counselor

I would like to extend my gratitude for your scholarship. This scholarship will help me greatly with the pursuit of my higher education. I am looking forward to this next stage of life in which I can use some of the principles and values I have learned throughout my high school career in my future career and adult life. Our family is very appreciative of our rural electric cooperative and the many services it provides!
Thank you, **Catelin Haight**



Employee Spotlight

Name: Duane Schafer

Family: Married

to Janelle. Three children – Zach Schafer, Melissa (Todd) Weber, and Drake Schafer. One grandchild – Easton Weber.

Date of Hire: May 23, 1983

Current Position: Director of Operations – (Mt. Ayr)

Favorite Recipe: Fresh Strawberry Pie



The RECipe

FRESH STRAWBERRY PIE

1 ½ cups water

¾ cup sugar

3 Tbsp. cornstarch

1 – 3oz package strawberry gelatin

4 cups fresh strawberries, halved

Baked pie shell

Whipped topping (optional)

Combine water, sugar, and cornstarch and cook over medium heat, bringing it to a boil and stirring continuously. Boil for 2 minutes or until the liquid is clear and thick.

Add gelatin and stir until dissolved.

Place strawberries in the baked pie shell.

Pour the gelatin mixture on top of strawberries while hot.

Chill until set.

Serve with whipped topping if desired.

Understanding the Cost Allocation Process

Iowa's electric cooperatives serve fewer than three consumers per mile of electric line (Southwest Iowa REC serves 2.3), compared to investor-owned utilities and government-owned municipal utilities that serve up to 60 consumers per mile of line. Because electric cooperative consumers are spread out geographically, cooperatives must be diligent in controlling costs and methodical in setting rates.

Regularly, a cost-of-service study is conducted to determine the cost of providing electric service to all of our member-owners. Once we analyze the costs to serve all members on a cooperative-wide basis, we study what it costs to serve certain groups of members. These groups are determined based on electric usage characteristics, and customers with similar electric usage characteristics are grouped together, such as all single-phase residential members may be grouped together.

As part of the study, we determine if we can directly assign some costs to an individual member or group of members, such as:

- Assigning to one member-owner. If a customer builds a home way back into the woods, he or she is responsible for the line extension costs above the average or normal amount built into the electric rates.

- Assigning to a specific group of member-owners. If a city ordinance requires that electric facilities must be buried underground, then those member-owners in that city are directly allocated the costs.
- Assigning common costs. This necessary multistep approach allocates common costs to those who benefit, recognizing that it is not always a black and white situation.

After the costs are allocated to the various groups, then the rates are designed to recover the costs to serve the groups.

For residential member-owners, traditional rate design includes a fixed monthly charge and a price per kWh for electricity used. This approach has been widely used by the U.S. electric industry for decades, and it works very well when all customers are served from central station generation, such as a coal-fueled or hydro-powered facility.

Industry rate setting experts apply several key principles in the process, including:

- 1) Providing rate stability.
- 2) Ensuring that rates charged by an electric utility for providing electric service to each class of electric consumers are designed, to the maximum extent practicable, to reasonably reflect the costs of providing electric service to the class.
- 3) Designing rates to reasonably approximate a pricing methodology for any individual utility that would reflect the price system that would exist in a competitive market environment.
- 4) Creating an ease of understanding about the rates for customers.
- 5) Developing an ease of administration of the rates.

Rate setting is a detailed process that your board of directors takes seriously. As the electric industry changes to include more on-site generation at homes and businesses, the rate setting process will be examined to ensure that those who directly benefit from service are paying an appropriate share of the costs.



Energy Efficiency

Tip of the Month

During summer months, our homes can be extremely hot, making living conditions uncomfortable. Before you fire up your air conditioner, try cooling off with a ceiling fan first. Using ceiling fans can actually raise your thermostat setting by 4 degrees and still feel just as comfortable.

Source: Department of Energy