

# BOARD BULLETIN

## 2013 CIPCO Power Supply Report

*by Allen Albers, ECI REC Representative  
on 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 an East-Central 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 East-Central 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 East-Central Iowa REC.

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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 \$0.06429 mills per kilowatt hour was down from the prior year.

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