



## BOARD BULLETIN

### 2011 CIPCO Power Supply Report From Allen Albers

Last year marked the 65<sup>th</sup> year of operation for Central Iowa Power Cooperative

(CIPCO), ECI REC's wholesale power supplier. A lot has changed in the electric utility business since 1946, but CIPCO's commitment to providing reliable, affordable, and environmentally responsible electricity has remained the same.

As a member of the CIPCO Board of Directors, I have a responsibility to ensure CIPCO can meet the power supply needs for all 13 member electric cooperatives and associations. We maintain a balanced and diverse generation portfolio. Without that diversity, member cooperatives could experience sharp price spikes based on the availability or price of a given fuel.

In 2011, CIPCO took steps to add new generation resources to our portfolio. We purchased an additional 4.4 megawatts of baseload genera-

tion from Walter Scott Energy Center #4. We also added new wind energy through the Elk Wind Farm located in Delaware County. In addition, CIPCO signed long-term contracts for a 36-megawatt Hawkeye Wind Farm and 50-megawatt Rippey Wind Farm, which will double CIPCO's wind energy.

More than 95 percent of our electricity is generated right here in Iowa, and roughly 45 percent comes from carbon-free and emissions-free resources.

And now for the numbers. CIPCO sold 2.79 billion kilowatt hours in 2011. The average system rate was 62.03 mills per kilowatt hour, which was down slightly from the year before. We reported total assets of \$646 million and member equity at \$144.6 million, resulting in 23% equity-to-asset ratio. CIPCO's net margin for the year was \$20 million based on total operating revenue of \$179 million. CIPCO returns leftover margins to its 13 members in the form of patronage allocations, and the Board recently

authorized payment of \$272,548.18 to ECI REC.

So what do all of these numbers mean? They confirm for me that CIPCO remains in a position of financial strength. This is reinforced by "A" credit ratings from Standards & Poor's and Fitches credit agencies.

I realize that members are always concerned about cost, and so am I. Any new electric generation that we build is going to be more expensive, regardless of the fuel source, than what we currently have in operation. The best we can do is manage cost increases, provide some stability in rates, and give rate relief when possible. In 2011, we returned roughly \$4 million to members through a rate decrease.

You can rest assured that CIPCO will continue to meet the power supply needs of ECI REC. Our objective is to provide high quality electric power to our membership at the lowest possible long-term cost. As a CIPCO Director, you have my commitment to do just that.