

HIGHLINES

March 2012

A publication for members of Pella Cooperative Electric

President and CEO's Report to the Membership

2012 marks the beginning of our 76th year of service to the member owners of Pella Cooperative Electric Association and the start to another celebration: the International Year of Cooperatives.

Cooperatives take many forms, from farmers banding together to get a fair price on supplies to credit unions delivering low fees and reasonable rates. The business model works for dairy farmers and small business owners, financial institutions, grocery stores, and electric companies like ours. Cooperatives form to fill a community need; giving a voice to members and adding value above that of our for-profit counterparts.

Electric cooperatives may only serve 12 percent of American consumers, but our electric lines cover 75 percent of this great nation. By banding together, we deliver power to 42 million Americans in 47 states. Here locally, your Cooperative's lines span over 633 miles and provide quality of life to 2,418 members living in five Iowa counties.

Electric utilities are a capital intensive industry. We invest a lot of money each year to repair, replace and improve distribution facilities. Due to that fact, 2011 was another challenging year for Pella Cooperative Electric and its member owners. The economic environment is showing signs of improvement, but the process has been slow and extremely painful for

some. Energy sales for 2011 were down three percent due to higher than normal average temperatures.

Fortunately, we were able to finish the year with sufficient margins to satisfy our mortgage requirements. This is important because adequate margins are needed to demonstrate our ability to repay any money borrowed for system improvements and maintenance. We had year-end margins from utility operations totaling \$410,930 and an additional \$303,000 of allocated, non-cash margins from other associated organizations. These non-cash margins improve our year-end totals, but the cash may not be received for close to 40 years.

We are currently working on two FEMA-approved projects, which will improve our system west of Pella at a cost of \$900,000. We have also made application for a third mitigation project totaling close to \$8 million to improve the north and eastern areas of our service area. Each of these FEMA projects cost the Cooperative 15 percent of total project cost with State and Federal dollars providing the remaining 85 percent. That funding is critical to our ability to rebuild our system and improve reliability without impacting the rate base.

Pella Cooperative Electric Association is committed to setting the standard for reliability and competitively priced energy while fulfilling the ever-changing needs and expectations of

our member owners. We are proud to be part of a member-owned, not-for-profit cooperative and invite you to join us in celebrating this successful business model throughout the coming year. As officers of this organization, we appreciate your support and look forward to seeing you at our 76th Annual Meeting on April 3, 2012.



CEO John R. Smith
(pictured above)

Board President Duane Ver
Ploeg (pictured below)



Meet the 2012 Candidates

DISTRICT 2



Dave Vander Pol, Incumbent. Dave and his wife Phyllis farm 10 miles north of Pella and have been members of Pella Cooperative Electric since 1968. They own and operate 450 acres on which they raise corn and beans. The Vander Pol's attend Trinity Reformed Church where Dave has served as deacon and elder. They have three children and three grandchildren.

Dave has served on the Pella Cooperative Electric board of directors for six years and is a Credentialed Cooperative Director. Dave is also on the board of directors

at Key Cooperative where he served as vice-president and is presently serving as treasurer.

When asked why he is interested in running for re-election, Dave states, "I have received training, experience and an understanding of how our local REC operates. I have had the opportunity to visit with several Legislators and Representatives and realize the importance of continual communication with them as they decide the future government regulations for our electrical needs. I would like to continue to work at keeping our electric bills affordable, whether through energy conservation or operational efficiency."

Judson Vos, District 2 Candidate. Judson and Pam live four miles south of Sully. They are parents of Joel, Jaron, Janea, Jacie, Jentri and Jaden. They also have 11 grandchildren which keep them busy. Judson and Pam enjoy traveling and boating in their spare time.



Judson has been farming since 1980. He remains involved in the community and has served two terms on the Sully Christian school board and one term on the Lynnville-Sully school board. When asked why he was running for a director position, Judson stated "I believe organizations like cooperatives – which are owned and operated by member-consumers – remain strong through active participation. As a member of Pella Cooperative electric since 1988, I am eager to contribute to this organization by serving on the Board of Directors."

AT LARGE DISTRICT



Edwin Klyn, Incumbent. Edwin and Janet live on and operate a 290-acre grain and livestock farm four and one-half miles northwest of Bussey. They are parents of Brenda, Jevon, David, Marcy and Jana.

Edwin has completed his eleventh term on the Board of Directors. He

has been a member of many committees and is a Credentialed Cooperative Director. Edwin also serves as the chairman of the Iowa Institute for Cooperatives. Edwin has been a member of the cooperative since March of 1976.

When asked why he is interested in running for re-election, Edwin states, "I would like to see PCEA continue to be a strong, viable organization so it can serve its members with dependable affordable electric service."

Rob Vos, At-Large District Candidate. With a passion for serving his community and having a positive impact on the friends and neighbors he has met or looks forward to meeting, Rob Vos is honored to be considered as a director candidate at Pella Cooperative Electric (PCEA). Rob has been a PCEA member since 1992, and would serve fellow members as true customers - striving to provide a quality service, efficiently and cost-effectively.



Rob lives two miles north of Pella as a grain producer, and has been meeting customer needs as a seed representative for 16 years. Rob and his wife, Teri, are parents of Jessi, Ben and Jack. Rob has served as president of Red Rock Threshers, as deacon secretary at Faith Christian Reformed Church, as a Cadet counselor, and county representative of the Iowa Barn Foundation. Rob also served on the board of directors at Pella Christian Grade School, and was publicly recognized as a most innovative thinker. Rob stated, "I would value the opportunity to serve members of Pella Cooperative Electric. I will offer a fresh perspective and excitement to the board of directors."

Financial Report

Balance Sheet Years Ended December 31, 2011, 2010, 2009

	2011	2010	2009
Assets			
Net Utility Plant	12,128,511	11,912,954	11,538,931
Other Property and Investments	2,111,953	1,885,557	1,888,845
Current and Accrued Assets	3,228,312	2,877,209	2,774,308
Deferred Debits	122,077	34,453	28,919
Total Assets and Other Debts	17,590,853	16,710,173	16,226,003
Liabilities			
Current and Accrued Liabilities	726,834	587,475	624,232
Deferred Credits	141,033	78,159	117,207
Long Term Debt	9,275,885	9,188,335	9,099,298
Total Liabilities	10,143,752	9,853,969	9,840,737
Equity			
Margins and Equity	7,447,101	6,856,204	6,385,266
Total Liabilities and Equity	17,590,853	16,710,173	16,226,003

Income Statement Years Ended December 31, 2011, 2010, 2009

	2011	2010	2009
Operating Revenue and Patronage Capital	6,399,482	6,260,463	6,177,175
Cost of Power	3,491,529	3,609,084	3,605,018
Operations and Maintenance Expense	662,900	699,549	612,991
Member Relations Expense	525,697	489,499	629,815
Administrative and General Expense	375,251	337,329	356,228
Depreciation Expense	350,415	368,296	347,591
Interest Expense	482,758	485,433	445,945
Other Expenses / (Income)	(314,812)	(202,858)	(394,198)
Total Expenses	5,573,738	5,786,332	5,603,390
Patronage Capital or Margins	825,744	474,131	573,800

Expenses Year Ended December 31, 2011

Cost of Power	59%
Operations and Maintenance Expense ...	11%
Member Relations Expense	9%
Administrative and General Expense	7%
Depreciation Expense	6%
Interest Expense	8%

Official Notice of the Annual Meeting

The Annual Meeting for members of the Pella Cooperative Electric Association will be held at Pella Christian High School in Pella, Iowa at 7:00 PM on Tuesday, April 3, 2012 to take action upon the following matters:

1. The report of officers, directors and committees.
2. The election of two directors of the Cooperative for a term of three years each.
3. All other business which may legally come before the meeting or any adjournment thereof.

In conjunction with the election of directors scheduled for this meeting, the following members have been appointed as director candidates by the Board of Directors of Pella Cooperative Electric, pursuant to the Bylaws:

District 2:
Dave Vander Pol (incumbent)
Judson Vos

At Large:
Edwin Klyn (incumbent)
Rob Vos

You are urged to attend this meeting, hear reports of the officers, vote for directors, and transact other business as may come before the meeting.

Dated at Pella, Iowa this 7th day of February 2012.

Sam Nichols, Secretary

How To Nominate By Petition

Members may nominate a candidate for the office of director by petition following the process below, as described in the Bylaws, Article III, Section 3:

“Any fifty (50) or more members may make other nominations in writing over their signatures not less than thirty-five (35) days prior to the meeting at which the directors are to be elected, and the Secretary shall post the same at the same place where the list of nominations made by the committee is posted; such nominations so made by such members to be subject to the same qualifications, district, and residence requirements as nominations by the Nominating Committee heretofore prescribed.”

Annual Meeting Agenda

Tuesday, April 3 at Pella Christian High School

- 5:30 pm **Dinner (free)**
Parmesan chicken, cheesy potatoes, corn, roll, brownies and ice cream
- 7:00 pm **Annual Meeting**
Welcome
Invocation
Secretary's Report
Introductions
Report of the Nominating Committee
Election of Directors
President's Report
CEO's Report
Results of the Election
Unfinished Business
Adjournment
- 7:45 pm **Door Prize Drawing**
Six valuable gift certificates
LCD HD Television

Those who stay for the entire meeting will receive a free gift.
Please limit one gift per member.

What Exactly is an Electric Cooperative?

You receive this publication because you buy your electricity from an electric cooperative. That's a utility that operates like no other.

Cooperatives are consumer-owned businesses, which means that you and your neighbors actually own your electric utility. In fact, you may have noticed that Pella Cooperative Electric refers to you as a "member" rather than as a "customer."

The cooperative's board of directors is a group of member-consumers just like you, and, in fact, you can run for a seat on the board yourself if you'd like to. When the directors' terms expire, the cooperative will hold an election—and you will get to vote. So the cooperative is governed by its members who make up the board of directors, which are elected by you.

Cooperatives have their roots in their local communities, so they never sell stock. That way, members retain local control.

Take advantage of the opportunity to participate as a member-owner of Pella Cooperative Electric by attending our annual meeting on April 3rd and voting in the board election.

Nominating Committee



Thank you to the 2012 nominating committee for selecting candidates for the Cooperative's board of directors. Members of the nominating committee are pictured from left to right: Ernest Eysink, Bill McDonald, Jim Vande Voort, Carroll Hoksbergen, Dave Boot, Lloyd Brand, and Melvin Dunsbergen (not pictured).



ANNUAL MEETING GRAND PRIZE

HIGHLINES

Published monthly by:
Pella Cooperative Electric
2615 Washington Street
P.O. Box 106
Pella, Iowa 50219-0106
Edited by: Jenna Vos

Phones answered 24 hours a day
641-628-1040
800-619-1040
Website: www.pella-cea.org
Email: service@pella-cea.org

Open weekdays 7:30 am - 4:30 pm; excluding holidays

Pella Cooperative Electric is a not-for-profit, member-owned electric cooperative. The co-op exists to provide electric service at cost. It is the members (anyone who gets electricity from the cooperative), not outside investors, that own and control the co-op. Cooperatives are governed by a member-elected Board of Directors.

Board of Directors: Bryce Arkema, Don Jansen, Edwin Klyn, Sam Nichols, Norman Van Zante, David Vander Pol, Duane Ver Ploeg, and CEO John R. Smith.