

# Controlling Change...



**2010**  
Annual Report

Annual Meeting • April 5, 2011

---

# Notice Of Annual Meeting Scenic Rivers Energy Cooperative April 5, 2011

## LANCASTER HIGH SCHOOL LANCASTER, WISCONSIN

The 73rd Annual Meeting of the members of the Scenic Rivers Energy Cooperative will be held at the Lancaster High School gymnasium in the City of Lancaster, Wisconsin, beginning at 7:30 o'clock p.m. on Tuesday, the 5th of April 2011, to take action upon the following matters:

1. Determination of quorum
2. Approval of minutes of 2010 annual meeting
3. Election of three (3) directors, they being the directors to represent Districts 1, 5, and 9.
4. Presentation, consideration of, and acting upon, reports of officers, directors, and committees
5. Unfinished business
6. New business – including consideration of bylaw amendments
7. Adjournment

Dated this 7th day of March, 2011.



*Thomas Bennett*

---

Thomas Bennett, Chairman



# ANNUAL MEETING PROGRAM

APRIL 5, 2011

**NEW LOCATION!!!!**

6:00 p.m. Doors Open and Registration Begins  
6 - 7:10 pm. Informational booths open; supper served by  
Avon Locker Plant, Darlington

- 7:30 p.m.
- Meeting called to order
  - Invocation
  - Introduction of Directors and Guests
  - Determination of Quorum
  - Minutes of the last Annual Meeting
  - Election of Directors
  - Dairyland Power Cooperative Speaker
  - Audit Committee Report
  - Treasurer's Report
  - Question and Answer Session
  - Unfinished Business
  - New Business
    - Amendments of bylaws  
(see pages 8 & 9 for details)
  - Results of Election
  - Scholarship Drawing and Prize Drawing
    - One (1) - \$100.00 certificate\*
    - Three (3) - \$50.00 certificates\*
- (Must bring registration card from the back cover of this report to be entered for \$100 and \$50 certificates)*
- Six (6) - \$50.00 certificates\*
  - Ten (10) - \$25.00 certificates\*
- (Drawn from mail-in ballots)

*\*Winners will have this money applied directly to their electric bill.*

Adjournment



If you are interested in riding on a bus from either Crawford County or Lafayette County, please contact that office!

# Chairman's Report

## by Thomas Bennett

Now, as in the past, it is a great time to be a member of Scenic Rivers Energy Cooperative. Our electric cooperative is locally owned and controlled by us, the member owners. The Board of Directors is elected by fellow members to fulfill the goal of keeping our lights on. Through the Board's strategic direction, this goal can be accomplished in a safe, reliable and affordable manner. Many of our employees are also members just like you and me. What better set of eyes could we have watching out for our best interests than employees that are also member owners. Because Scenic Rivers is locally owned and operated to serve our energy needs, we have the power.

In 2010, your Board of Directors fulfilled one of the main duties of the Board; hiring of a new CEO. I encourage you to take the opportunity to meet with our CEO, Steve Lucas, to express your concerns and interests. Your voice is important as Steve moves forward with his responsibilities of overseeing the day-to-day affairs of our cooperative.

By no means is the hiring of a CEO the only duty for the directors. The Board must constantly consider policies that affect our co-op. Board policies and guidance are the very essence by which management operates to control costs. For example, how much do we spend

on maintenance, how many miles of new line do we need? How will we finance it? How often do we update our technologies and facilities to stay efficient? Decisions like these are made locally by the Board of Directors that you elect to look out for your needs. Each director must continuously educate himself or herself about the complex business of electricity production and distribution. Directors spend countless hours boning up on the intricacies of strategic planning and financial decision-making.

Although Scenic Rivers Energy Cooperative sails its own ship, so to speak, we are not sailing alone. Our Co-op belongs to a statewide association, the Wisconsin Electric Cooperative Association (WECA), our generation and transmission cooperative, Dairyland Power Cooperative and the National Rural Electric Cooperative Association (NRECA), a national service organization representing more than 900 consumer-owned, not-for-profit electric cooperatives.

These umbrella groups provide support and products like our WEC News publication and our Watts Happening news letter. Collectively we are also able to control costs to provide our employees with training and safety courses. Our state-wide association and NRECA advocate for us with lawmakers in Madison and Washington, D.C., keeping public officials aware of how their




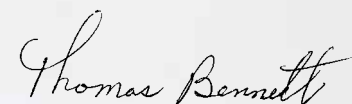
Thomas Bennett

votes can impact our electric bills.

Scenic Rivers, along with many other distribution cooperatives, have pooled together to form supply and service cooperatives. As a group, we have more power controlling costs for such things as purchasing poles and equipment, financing options, employee health coverage and our general casualty and liability insurance.

The leaders of our co-op and the many affiliated associations share the same values and pride of our communities like we do. We act like neighbors because we are neighbors. That's why it's great being a member of Scenic Rivers Energy Cooperative.

On behalf of your Board of Directors, I wish to extend this invitation to join us at our annual meeting on April 5th. Your voice and attendance are important. We have moved the annual meeting to the more spacious Lancaster High School in an effort to show more of our value added services and for you added comfort.



# CEO's Report

## by Steve Lucas

On behalf of the employees and directors of Scenic Rivers Energy Cooperative, I cordially invite you to your cooperative's 73rd annual meeting April 5. The theme of our annual meeting this year—Controlling Change—reflects the fact that 2010 came and went on a wave of changes everywhere from Washington, D.C., to Lancaster. At the annual meeting we're going to show you how we're adapting to those changes, working hard to control what we can and ensure that any necessary changes are made with the best interest of all our members in mind.

One of those changes will be immediately apparent: Instead of gathering at the Youth & Ag Building in Lancaster, where the cooperative held its annual meetings for many years, we'll be gathering next door at Lancaster High School. We made this change to accommodate our growing attendance; we hope the new venue will allow everyone to participate in comfort.

Another big change will be visible at the podium. SREC experienced a change in leadership in 2010, as I began serving as CEO this past summer. For the past six months my family and I have enjoyed getting settled in our new community, and I have focused on getting to know as many of you as possible. I look forward to meeting more of you at the annual meeting.

Although leadership at SREC has undergone a big change in the past year, the dedicated service provided by our staff remains remarkably constant. SREC is blessed to have a team of employees who have a long history with the cooperative and the communities it serves: Our staff brings a whopping combined **710** years of experience. Just four employees alone account for 100-plus years of cooperative experience. The value of that level of stability and expertise is immeasurable, and I am especially impressed by the way this established staff strives to keep improving.

For example, safety is our number-one priority at SREC, and I am very proud to announce that SREC achieved an all-time high score on our safety accreditation this year. This achievement speaks to our staff's commitment to making the co-op a great place to work.

We're also working hard to make the cooperative the greatest electric service provider we can possibly be. We're proud to announce that the average length of outage per member over the past year was down. That's due to the extensive work that was done performing system maintenance, which in turn leads to more reliable service.

Due to weather that was hotter than expected in June, July, and August, our margins were stronger than we had expected. That's good news for our members: The stronger margins meant we were able to focus more on system improvements. In 2010, we **replaced 37.6 miles of line, added 166 new services and trimmed 358.2 miles of right-of-way**. All of these improvements, of course, mean fewer service interruptions. Stronger margins also mean we'll be able to retire approximately \$1 million in capital credits this year. This retirement represents the balance of unpaid capital credits for the year 1987 plus 2 percent of every year thereafter through 2007. It will appear as a credit on your April bill.

Of course, not all the changes this past year have been positive. As you all know, the weakened economy of the past couple of years has not fully recovered. Prices for fuel, material, and equipment have continued to rise. Plus, the political climate is such that we can expect government regulations to continue to increase the cost of providing service.

Dairyland Power Cooperative, our wholesale power supplier, has been mandated to install emissions-control equipment at its coal-fired generating facilities. This is good news in the long term—I don't know of anyone who doesn't approve of a cleaner environment. However, these emissions-control measures come at a cost, and the cost is not cheap.

In addition, Dairyland has been moving forward in its plans to meet the current political movement toward achieving 25 percent renewable energy by the year 2025. Again, this is welcome news; we can all be proud that our power provider has been proactive in meeting renewable-energy mandates and has shown itself to be a responsible steward of the environment. However, renewable energy generation also comes at a cost.

All these mandates and measures have added to the cost of wholesale power, and since the cost of wholesale power makes up **almost 60 percent** of our entire budget, the cost of power we provide to you has also increased. Those parts of our budget over which we have control we have controlled very tightly; despite rapidly rising prices in the past couple of years, we have kept rates steady. However, we will have to look at a cost adjustment some time this spring.

There's never a good time to discuss rate adjustments. Believe me, we know how hard times have been. Our employees and directors live and work in the same communities you do; we pay the same costs and feel the same financial pinches.



Steve Lucas

To help you control your costs during these challenging times, we have worked hard to promote energy efficiency programs that help you manage your energy use. We offer load control programs that not only help us keep our peak load down but also qualify you for a lower rate. We offer special incentive programs that save you money and resources such as Questline, a free online newsletter that provides you with ways to save. In addition, our partnership with Focus on Energy gives you access to a wealth of energy efficiency education and incentives.

We are also working diligently to make sure your voice is heard at the state and national level, where decisions are being made that will affect your rates. Although Congress did not pass a comprehensive climate bill last year, the U.S. Environmental Protection Agency began regulating greenhouse gasses—an action made possible by a 2007 Supreme Court decision, followed by rulings allowing the EPA to use the Clean Air Act to curb carbon emissions. Policies dealing with coal ash and even more stringent controls on other power plant emissions could lead to higher costs.

These are indeed big challenges, but I believe our cooperative roots provide us with an effective means of facing them. I believe cooperatives have a strong voice, and we will be asking you to exercise that voice. As our directors visit with both our state and national legislators this coming year, asking lawmakers to consider the effect their decisions will have on the average members' rates and, in turn, their very livelihood, we will be asking for your support. We will be calling on you to contact your elected officials and let them know that we need to go about making these changes in a way that keeps electricity affordable and reliable.

I believe we can face these challenges because we are a cooperative. Cooperatives have withstood many changes through the years by pulling together, speaking up, and presenting a strong, united voice. We've been doing it for 73 years; we can do it now. That hasn't changed.

A handwritten signature in black ink, appearing to read "Steve Lucas". The signature is stylized and written in cursive.

# Minutes of the Annual Meeting of Scenic Rivers Energy Cooperative

## Held on April 12, 2010

The annual meeting of the members of Scenic Rivers Energy Cooperative was held on Monday, April 12, 2010, pursuant to notice thereof mailed to all members.

Prior to the meeting the members were entertained by Frankie Brandt.

Chairman Thomas Bennett took a minute to thank the following:

- Castle Rock for catering.
- Kate Noble and Emily Martin for taking care of the children's room.
- Ballot committee for their volunteerism.
- The employees of SREC for their work.
- The members for their support throughout the years of electric cooperative business and for coming to learn more about cooperative business.

At 7:30 p.m. Mr. Bennett called the meeting to order.

Chairman Bennett at that time introduced the "National Anthem" by Touchstone Energy. Pastor Mark Hoehne, from the Lancaster Presbyterian Church, was then introduced to offer the invocation. Chairman Bennett recognized Senator Dale Schultz for attending the meeting.

Interim Manager Jon Steinhaus was introduced to the membership by Chairman Bennett. After 19 years, CEO Rick Kolb has retired to pursue other professional and personal interests. Interim Manager Steinhaus is a retired General Manager from Adams-Columbia Electric Cooperative. Jon and his wife live in Briggsville, WI. Manager Steinhaus will be with Scenic Rivers Energy Cooperative while the Board of Directors recruit a new CEO. He asked the employees of Scenic Rivers Energy to stand as he recognized their efforts. Manager Steinhaus then commented on speaking with the Board of Directors on keeping the members and employees in mind while facing all of today's challenges. He concluded by thanking everyone for coming.

Chairman Bennett continued by asking all scholarship applicants to stand. He then recognized all former employees and board of directors of Grant, Lafayette, and Crawford County Electric Cooperatives. The current directors and their spouses were introduced. Next, Chairman Bennett introduced the candidates for the Board of Directors.

Interim Manager Steinhaus then introduced Karan Knutson and Barb Murphy as 20 year service employees. Linda Bendorf, Director of Office Services, presented Karan and Barb with a gift certificate for their service.

Gerald Koeller, retiring director, was honored for his over 32 years of service to Grant Electric, Grant-Lafayette Electric, and Scenic Rivers Energy Cooperative. Gerald's achievements were listed and his dedication was honored with framed artwork. Gerald was saluted with a video that reminisced about his cooperative history.

Chairman Bennett proceeded with the business portion of the meeting. It was determined there was a quorum, set by Article 4 Section 4 in the bylaws, as 337 members had registered. (The bylaws provide that 50 members represent a quorum.) The notice of this meeting was printed in the March's Wisconsin Electric Cooperative News, with a notarized proof from the Wisconsin Electric Cooperative Association. The notice of the meeting was also printed in the monthly newsletter, along with being displayed at each of the three SREC offices. Chairman Bennett asked for a motion to accept the minutes of the previous annual meeting as printed in the Wisconsin Electric Cooperative News on pages 5 & 16a and to dispense with the reading of those minutes. Motion was duly made and seconded. Motion carried.

Chairman Bennett continued the meeting with the election of directors of Districts 2, 6, and 7. The bylaws of Scenic Rivers provide for nominations by the nominating committee or by petition. The ballots will be counted

by a ballot committee made up of members of the cooperative. Ballots were collected by the ballot committee members.

Chairman Bennett continued the meeting by affirming that the rules of order for the meeting were printed on page 4 of the Wisconsin Electric Cooperative News. Special notice was given to item #2 that states "members wishing to speak are to give their name and the district in which they are members." Mailing addresses are acceptable if the member is not aware of what district they in. The rules were approved by unanimous consent.

Neil Kennebeck, Director of Planning Services with Dairyland Power Cooperative, was introduced by Director Koeller. Director Koeller shared Mr. Kennebeck's extensive background with Dairyland.

Mr. Kennebeck spoke about Dairyland Power Cooperative's renewable portfolio, along with plans for the E.J. Stoneman power plant conversion.

Member Dean Thoreson read the Minutes of the Audit Committee meeting held March 25, 2010. He also acknowledged the other Audit Committee members: James Gay, Herb Hottenstein, Dave Knoke, Gary Kozelka, Stephen Kvigne, Ted McDonald, Donald Schaefer, and Wes Sefforood.

Secretary-Treasurer Sandra Davidson elaborated on the financial report for 2009 for the Scenic Rivers Energy Cooperative, which was printed in the annual report and mailed to all members. She enlightened the membership regarding various expenses via a power point presentation.

### Announcements

Chairman Bennett addressed a few concerns that he has heard from time to time. He stated that any need for a rate increase, at this time, will be handled through the power cost adjustment. The Cooperative is in the middle of doing a cost of service study.

# Continued. . . Annual Meeting Minutes

He stated another question that comes up frequently is, "why do we need margins?" Chairman Bennett said the co-op needs to maintain margins to allow the cash flow necessary to keep the utility plant in good working condition and to pay back capital credits. Margins are also required for RUS and CFC loans.

On occasion, the question comes up regarding why load controlling is necessary when it appears conditions don't warrant control. Chairman Bennett reported that Dairyland makes the financial decision to use the load control system based on an attempt to reduce load from having to be purchased on an open market when costs are especially high.

The last item Chairman Bennett felt would be of interest to the membership was the Youth Leadership Congress.

## Question and Answer

Marvin Berg from District 2, town of Haney, said he was looking at the operating statement and specifically income from equity investments. He stated he presumes it is relating to TechCom and would like to know what options the co-op was considering as to what was going to be done with that investment. Chairman Bennett addressed that the Cooperative has two subsidiaries: Skyview and TechCom. Skyview was represented at the annual meeting by Mary Jo Johnsrude, employee. Scenic Rivers Energy is a fourth owner of TechCom along with Richland Electric, Richland-Grant, and LaValle telephone. The phone service system is in Richland Center and history has not shown positive margins. However, Chairman Bennett was pleased to announce that 10 of 12 months this year were profitable, and in the positive for a year end.

Dale Curtis from Marietta Township, is disappointed in the tree trimming outfit. Interim Manager Steinhaus reported that Scenic Rivers Energy has a contract with Wright Tree Service. He asked Mr. Curtis to give him a call at the office with his concern and it would be addressed.

## Old & New Business

Chairman Bennett asked if there was any old business to discuss; there

was none. He then introduced Niles Berman, attorney with Wheeler Van Sickle & Anderson, S.C., to handle the bylaw amendments. Attorney Berman noted that the Board's proposed bylaw amendments were listed on page 29 of the Wisconsin Electric Cooperative News. There was a motion and a second to adopt each of the bylaw amendments as proposed (after correcting to delete the "." inadvertently inserted following "ticket" in the first amendment as printed). Discussion and questions followed. Each of the motions then carried:

A. Article V, Section 2 (c) (3) of the bylaws was amended to read:

(3) is an incumbent of, or candidate for, an elective county, state or federal office filled by election on a party ticket; or

(4) is an employee of the Cooperative.

B. Article VI, Section 1 of the bylaws was amended to read:

A regular meeting of the board of directors for the purpose of electing officers may be held without notice immediately after and at the same place as the annual meeting of the members. A regular meeting of the board of directors shall also be held monthly at such time and place within the area served by the Cooperative as designated by the board of directors. Such regular meetings may be held without notice other than such resolution fixing the time and place thereof.

Article VII, Section 2 of the bylaws was amended to read:

The officers shall be elected by ballot, annually by and from the board of directors either at the meeting of the board held immediately after the annual meeting of the members or at the next regular meeting of the board. Each officer shall hold office until the first meeting of the board of directors following the next succeeding annual meeting of the members or until a successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the board for the unexpired portion of the term.

C. Article V, Section 9 of the bylaws was to read:

Section 9. Reprimand of Director by Board

The board of directors may, by the vote not less than two-thirds (2/3) of the full board, reprimand a director who, without board authorization, undertakes private conversations with others to make commitments for the board or the Cooperative.

Attorney Berman then announced the results of the balloting for directors, indicating that Sandra Davidson was re-elected to District 2, District 6 elected Donald Schaefer, and District 7 re-elected Larry Butson. The vote was as follows:

District No.	Candidate	Total
2	Sandra Davidson	216
	Terry Barr	110
	(Unsigned ballots)	35
6	Vincent Loeffelholz	207
	Donald Schaefer	229
	James Reed (write-in)	1
	(Unsigned ballots)	39
7	Larry Butson	244
	Mary Brandt	97
	Tom Goodney	80
	Mark Hirsch	132
	(Unsigned ballots)	49

Attorney Berman reiterated that state statute as well as Scenic Rivers' bylaws require every mail-in ballot or the envelope in which it is returned to be signed by the member. He encouraged members returning mail ballots to make sure they contain signatures so they can be counted. He then asked all candidates, ballot counters, and nominating committee members to stand and be recognized for their contributions in making cooperative democratic governance work.

Megan Graney, Communications Representative, proceeded with the random drawing for scholarship winners. Ms. Graney then announced the prize drawings.

Chairman Bennett adjourned the meeting upon a motion duly made and seconded.



Secretary/Treasurer

# 2011 PROPOSED BYLAW AMENDMENTS

## 1. Relating to removing specific references to the Rural Utilities Service:

Article III, Section 5 and Article V, Section 7 are amended to read:

### Article III, Section 5. Assumption of Public Utility Obligations

Within the corporate limits of any city or village in which the Cooperative may acquire the property of any public utility, the board of directors may, by rule or by agreement with the governing board of such municipality, cause the Cooperative to become subject therein to all or part of the regulatory rules and jurisdiction of the Public Service Commission of Wisconsin, or other regulatory agency provided by law, provided that this shall not affect the status of the Cooperative in the balance of its service area nor require approval of its securities issued to the United States of America or to any ~~financing institution organized by rural electric cooperatives or approved by the Administrator of the Rural Utilities Service~~ other lender or investor.

### Article V, Section 7. Accounting System and Reports

The board of directors shall cause to be established and maintained a complete accounting system which, among other things, ~~subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of The United States of America~~ applicable legal, regulatory and lender requirements. All accounts of the Cooperative shall be examined by a committee of the board of directors which shall render reports to the board. The board of directors shall also within a reasonable time after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the following annual meeting.

## 2. Relating to amending and creating director disqualifications:

a. Article V, Section 2 (c) (2) is amended to read:

(2) is in any way employed by or financially interested in a competing enterprise or a business selling energy or supplies to the Cooperative, ~~or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to members of the Cooperative, other than an ownership interest in a facility which generates energy primarily for on-site consumption and which may sell surplus energy to the Cooperative;~~ or-

b. Article V, Section 2 (c) (4) is amended to read:

(4) is currently an employee of the Cooperative or was employed by the Cooperative at any time during the preceding 5-year period.

c. Article V, Section 2 (c) (5) to (7) are created to read:

(5) is participating as a party or witness, or has so participated at any time during the preceding 5-year period, in litigation against the Cooperative.

(6) is delinquent for more than 90 days in the payment of any amount owed to the Cooperative.

(7) has been convicted of any offense involving dishonesty.

## 3. Relating to creating an alternative dispute resolution mechanism:

Article IX, Section 13 is created to read:

### Section 13. Dispute Resolution.

Any and all disputes, claims or controversies arising from or related in any way to the Cooperative's provision of electric, gas, telecommunications or other services, or its furnishing of any goods or its conduct of its operations, other than disputes or claims related to the payment for electric energy provided by the

*(continued. . .)*

# Continued. . . 2011 PROPOSED BYLAW AMENDMENTS

Cooperative, that are not resolved by agreement of the parties, shall, at the request of any party, be resolved by binding arbitration by an impartial arbitrator or panel of arbitrators, pursuant to written procedures to be established from time to time by the board of directors.

Based on the members enacting this binding arbitration provision as a means of dispute resolution, each member of the Cooperative, by virtue of such, agrees to arbitrate all such claims or controversies according to this bylaw and the regulations and policies prescribed by the board of directors, and further agrees to abide by and perform under the policies all such rules of arbitration, and to abide by and perform any awards made hereunder. This agreement to arbitrate disputes shall survive any withdrawal from or termination of a member's membership in the Cooperative.

#### 4. Relating to deleting or correcting redundant or flawed terminology:

a. Article II, Section 1 (last paragraph, first sentence) is amended to read:

Any person who requests service from the Cooperative subject to the conditions applicable to all patrons of the same class of service, upon acceptance for membership and receipt of such service, shall have the same rights and privileges as each other member of such class.

b. Article II, Section 6 (a) (3) is repealed.

c. Article IV (Title) is amended to read

#### MEETINGS OF MEMBERS

d. Article IV, Section 5 (5<sup>th</sup> sentence) is amended to read:

Such representative or officer may also vote as an individual if he is a member.

e. Article V, Section 5 (1<sup>st</sup> and 2<sup>nd</sup> clauses of 3<sup>rd</sup> sentence), Article IV, Sections 2 (2<sup>nd</sup> sentence) and 7 (1<sup>st</sup> sentence) and Article X (1<sup>st</sup> sentence) are amended

by substituting "Cooperative" for "cooperative".

f. Article VI, Section 5 (a) (intro.) is amended to read:

(a) If the board of directors shall permit in advance and shall be given the required notice, or if all directors shall verbally consent concurrently with the holding of the meeting, any or all directors may participate in a regular or special meeting or in a committee meeting; ~~concluding an executive committee meeting of the Board~~ by, or to conduct the meeting through the use of, any means of communication by which any of the following occurs:

g. Article VI, Section 6 is amended to read:

If a meeting is to be conducted through use of communication technology, written notice of the date, time, and purpose of the meeting shall be given in the same manner as provided in these bylaws for notice of special board meetings. ~~Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in the event that a director shall participate in such meeting for the purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.~~

h. Article 9, Section 5 (last sentence) is amended to read:

After January 1, 1990, the board of directors shall determine under rules of general application the method, basis, priority and order of retirement, if any, for all amounts ~~therefor~~ theretofore or thereafter furnished as capital.

i. Article X (last sentence) is amended to read:

The board may refer the matter to the members ~~of~~ for their determination by majority vote at a meeting of the disinterested members duly called and held.

(End)

# Unaudited

## Comparative Balance Sheet

### December 31, 2010

Audited statements available  
after April 15, 2011.

	<u>12-31-09</u>	<u>12-31-10</u>
Total Utility Plant .....	\$ 57,412,050	\$ 59,836,546
Less Reserve for Depreciation .....	11,571,619	12,453,137
Utility Plant—Less Reserve .....	\$ 45,840,431	\$ 47,383,409
Inv. In Associated Organizations .....	\$ 9,628,150	\$ 9,981,826
Other Investments .....	6,932,047	4,624,422
Total Investments.....	\$ 16,560,197	\$ 14,606,248
Account Receivables .....	\$ 2,870,037	\$ 2,819,001
Materials & Supplies.....	390,608	654,607
Other Current Assets .....	181,253	199,535
Total Current Assets .....	\$ 3,441,898	\$ 3,673,143
<b>TOTAL ASSETS</b> .....	<b>\$ 65,842,526</b>	<b>\$ 65,662,800</b>
Long Term Debt-RUS .....	\$ 26,904,294	24,956,752
Long Term Debt-CFC .....	4,127,307	4,753,731
Current & Accrued Liabilities .....	2,367,024	2,396,609
Consumer Deposits .....	199,227	205,680
.....	\$ 33,597,852	\$ 32,312,772
Patrons Capital & Oper. Margins .....	\$ 31,568,521	\$ 32,578,348
Other Margins & Equities.....	676,153	771,680
.....	\$ 32,244,674	\$ 33,350,028
<b>TOTAL LIABILITIES &amp; EQUITY</b> .....	<b>\$ 65,842,526</b>	<b>\$ 65,662,800</b>

## Statement Of Non-Discrimination

Scenic Rivers Energy Cooperative is a recipient of federal financial assistance from the U.S. Department of Agriculture. In accordance with Federal law and U.S. Department of Agriculture policy, this institution is prohibited from discriminating on the basis of race, color, national origin, age, disability, religion, sex, and familial status. (Not all prohibited bases apply to all programs). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call 800/795-3272 (Toll free), 202/260-1026 (Voice), or 202/720-6382 (TDD). This institution is an equal opportunity provider and employer.

# Unaudited

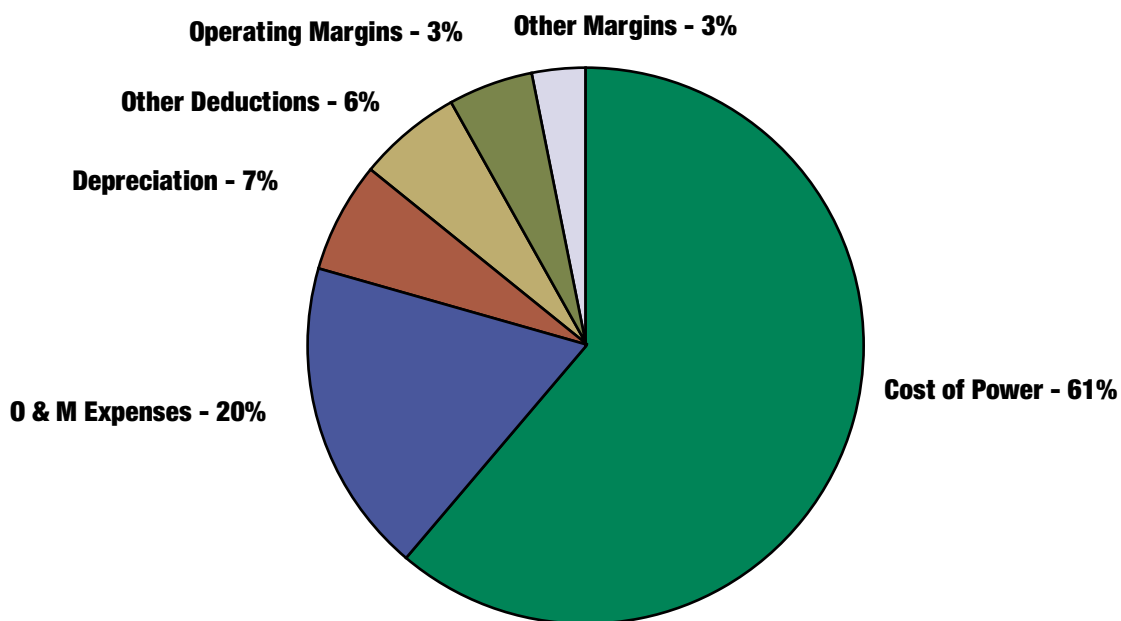
## Comparative Operating Statement

### December 31, 2010

Audited statements available  
after April 15, 2011.

	<u>12-31-09</u>	<u>12-31-10</u>
Operating Revenues.....	\$ 23,759,551	\$ 25,008,429
Cost of Power .....	\$ 15,278,805	15,730,884
Operations and Maintenance .....	2,429,646	2,571,139
Consumer Accounts .....	348,545	349,570
Consumer Service & Information.....	243,692	335,433
Sales Expense.....	51,088	41,850
General & Administrative .....	<u>1,186,443</u>	<u>1,480,608</u>
Total Operations & Maintenance Expense .....	\$ 19,538,219	\$ 20,509,484
Depreciation .....	\$ 1,628,728	\$ 1,700,737
Taxes .....	270,536	298,093
Interest.....	1,197,680	1,197,135
Other Deductions.....	<u>16,318</u>	<u>8,007</u>
Total Cost of Electric Service.....	\$ 22,651,481	\$ 23,713,456
Operating Margins .....	\$ 1,108,070	1,294,973
Non-operating Margins .....	181,889	152,543
Income from Equity Investments .....	0	0
Dairyland & Other Capital Credits .....	<u>494,456</u>	<u>611,572</u>
Total Margins .....	\$ 1,784,415	\$ 2,059,088

## 2010 Expense Report



# Dairyland Director Report

Providing “value” to Dairyland’s member cooperatives is the focus of our wholesale power supplier. As outlined at Dairyland’s last annual meeting, many steps have been taken, both big and small, to ensure Dairyland reliably meets the energy needs of its members and enhances the value of its services.

A very significant step was joining the Midwest ISO (Independent System Operator) on June 1, 2010. At that time, Dairyland integrated its power plants and 3,144-mile transmission system into the Midwest ISO, and became part of one of the largest markets in the world for buying and selling power.

Historically, Dairyland produced power from its own generating facilities, or purchased energy from a neighboring utility, to directly provide energy to Scenic Rivers Energy Cooperative and its other members. By joining the Midwest ISO, Dairyland’s power plant operations are now impacted by the energy consumption and available supply in a much larger region. While owning generating capacity protects Dairyland’s members from potentially volatile energy prices, day-to-day operations have been impacted since Dairyland facilities are now operated as part of the regional energy market.

As more energy is needed, more generating resources are required, and the Midwest ISO schedules power plants based primarily on their operating costs. The market price of energy in the pool is based on the cost to bring on the final generator required to satisfy the total demand within the Midwest ISO. Generally speaking, as demand goes up, so does the price of energy.

During times of low energy demand, this new market may not require all generators to produce power if others in the “pool” can better meet the regional needs at that time. Therefore, Dairyland at times will buy power from the market, rather than generating it, if it can do so at a lower total cost.

Power suppliers like Dairyland are facing legislative uncertainty regarding climate change, tougher environmental regulations and growing renewable energy standards.

While renewable energy requirements vary in the states Dairyland serves, Dairyland is slightly ahead of current mandates and continues to expand its power supply with prudent investments in renewable energy resources. Dairyland’s renewable resources include biomass, hydro, wind, landfill gas, manure digesters and solar.

In 2010, more than 7 percent of retail sales came from renewable energy resources. That number has been growing and it is expected to be about 12 percent in 2011. The largest new renewable resource is a 40 MW facility using biomass as its fuel, which came online in fall 2010. DTE Energy Services converted the E.J. Stoneman Station (Cassville, Wis.) from a coal-fired facility to a biomass facility that uses wood waste to create energy. Dairyland has a contract with DTE for the output of the facility for the next 10 years.

Dairyland continues to develop additional renewable energy projects, enhance landfill gas operations and work with farmers to increase the number of manure digesters across the system. Dairyland’s member cooperatives have experienced a considerable increase in consumer-owned distributed renewable generation installations in the past year, thanks to innovative rate tariffs for small renewable installations.

Dairyland is in the midst of a \$400 million plan to position itself to meet new state and federal environmental regulations. However, there is still a great deal of uncertainty as to how climate change or carbon legislation could impact the operation of power plants and the transmission system, and the potential costs for consumers.

Dairyland’s year-end results were very good with margins that were enhanced by the hot summer and strong market sales. For 2010 margins ended up at \$13.2 million, as compared to \$12.2 million in 2009, even after paying some unanticipated costs related to nuclear fuel storage. In addition, the Dairyland Board has endorsed a strategic financial plan to restore Dairyland’s financial strength following the recent large investments made in

environmental controls and Weston 4. Also to improve Dairyland’s financial health, the plan prepares Dairyland to access market-based financing through the adoption of a bond indenture by mid-2011 to provide funding flexibility and availability, when or if RUS (Rural Utilities Service) financing is not available.

Dairyland continues to prioritize construction projects to balance progress with affordability, and has delayed some work to minimize the impact of rate increases during this period of economic challenge for many co-op members. To help deal with rising costs, new energy-efficiency programs are being created to encourage wise energy use and help reduce members’ monthly bills

Keeping in mind the goal to provide value to Dairyland’s members and maintain strength and stability in their investment, Dairyland’s Board of Directors approved a wholesale rate increase of 4.5 percent over the 2010 rate. The largest contributing factors are 1) a full year of Midwest ISO operations and costs, 2) increasing Weston 4 rail transportation rates, 3) the increased cost of renewable energy from the Stoneman biomass plant, 4) costs associated with recent environmental improvements at power plants and 5) the need to improve Dairyland’s financial strength.

The Board of Directors and Dairyland management recognize the financial challenges some cooperative members are facing, and takes any rate increase very seriously. As your representative on the Dairyland Board, I assure you that Dairyland staff is working to reduce costs where possible, while meeting our future energy needs, and thus deliver maximum value to you.

**Thank you.**

*David Stute*



# Our Employees

## Lancaster Office



Bob Bedward



Linda Bendorf



Merlin Breihan



Amanda Downing



Jim Dressler



Jeff Farrey



Jay Gardner



Megan Graney



Buck Hampton



Leann Handel



Tory Henkel



Joe Ihm



Ron Jentz



Andy Kilcoyne



Jason Knapp



Fred Maughan

# Our Employees

## Lancaster Office



Carrie Olmstead



Chad Olmstead



Pat Pennekamp



Heidi Pierce



Matt Rasmussen



Jeff Roesch



Cindy Rooney



Phil Schneider



Eric Van Natta



Tammy Wagner



# Our Employees

## Gays Mills Office



Jerry Becwar



Karan Knutson



Barb Murphy



Bob Olson



Justin Sprosty



Earl Winsor

## Lafayette Office



Rita Norland



Lucas Ritchie



Matt Ritchie



Kevin Weber



Jim Wolf

# MEET YOUR DIRECTOR CANDIDATES

## DISTRICT 1

### Merlin Kvigne

Merlin and his wife, Francille, live on a farm in Freeman Township. They have four children and five grandchildren. They have been members of the electric cooperative for more than 50 years.

Merlin is vice president of the Scenic Rivers' board and president of Skyview DBS. Merlin is semi-retired, having been employed by the Aging and Disability Resource Center in Crawford County as a transportation driver for more than 20 years. He retired in December 2010. He also worked for Cenex and F.S. Farm Supply Co-ops, delivering petroleum products throughout the area.

This past year Merlin attended three NRECA courses on rate structures, CEO compensation, and emerging technologies. "Advancing technology has and will cause changes. What can we realistically achieve as a cooperative? New state and federal regulations and renewable energy are topics that will be addressed in Madison and Washington, D.C." Merlin said.

"We as a board are committed to providing reliable power at the lowest possible cost for you, our members. This is a responsibility requiring time, effort, and skills to make a difference for our members," he added. "This past year there were changes made in the operation of

Scenic Rivers that the board felt were in the best interest of our employees and members. Teamwork is very important for a healthy cooperative. As we look forward, there are always new goals and opportunities for Scenic Rivers I plan to run on the Scenic Rivers' Board as director for District 1, striving to fulfill my duties and giving my input to decision making. Thank you, members, for the support given to me in the past, and I would appreciate your continued support."

Merlin also encourages all members to read their monthly *Wisconsin Energy Cooperative News* magazine.

### Lawrence Bishop

Lawrence and his wife, Carol, are lifelong farmers in the town of Freeman, rural Ferryville, where they raised two sons. He is semi-retired after selling his dairy herd in 2003.

He served on several committees during his 15 years as a member of the DeSoto School Board.

Lawrence said, "If elected I would strive to make decisions that would be in the best interest of all members of the co-op. Thank you."

## DISTRICT 5

### Tom Bennett

Tom and his wife, Sally, own and operate a grain and livestock farm in Little Grant Township. Tom and Sally have two children, Micki (Mark) Uppena and Mike (Chassity) Bennett. They also have six grandchildren, all of whom are on Scenic River's lines.

Over the years Tom has served on various boards and committees in the community and St. Mary's parish of Bloomington. He is currently a member and an officer of the West Grant Lions Club.

Tom has continued his education by completing the Director Leadership course through the University of Wisconsin Center for Cooperatives. He is recognized as a Credentialed Cooperative Director by the National Rural Electric Cooperative Association (NRECA) for completing curriculum designed to provide skills needed for cooperative directors. Tom has also completed the

board leadership courses offered by the NRECA.

Tom has served on Scenic Rivers Energy Cooperative's board of directors for the past 10 years. He feels privileged to have been elected by his fellow directors to act as chairman for the last five years. He also serves on the boards of two of SREC's subsidiaries, Skyview DBS and Tech Com.

"SREC was created and is governed under a cooperative form of business," Tom said. "Because of this, the board of directors has a commitment to its member-owners and to the community. If re-elected, I pledge to work at keeping our cooperative a financially strong provider of safe, reliable electricity. I will also strive to provide valued and trusted expertise to our members. I would appreciate your vote. Thank you."

(more...)

## DISTRICT 5

### Maury McLean

Maury resides in the house in which he was born in Beetown township. His home is a century farm connected to REA line in October 1938, the year he was born. Maury's mother purchased all her appliances from Murray Electric. Maury met his wife, Martha, while both were attending school in Platteville. They have four children, all living nearby; nine grandchildren; and six great-grandchildren.

Maury served terms as director on the Wisconsin Corn Promotion Board and the Wisconsin Soybean Promotion Board. He has always been interested in soil conservation, receiving the Innovative Farmer of Year Award from Soil Conservation Service in 1994.

In his spare time, Maury enjoys playing cards, family

gatherings, reading, feeding and watching birds, sight-seeing excursions, and Cubs games.

Maury says he is taken by the hard work and perseverance of cooperative founders to fill needs not provided from anywhere else. "I would be proud to be part of continuing efforts," he added.

### Roy Quick

Roy and his wife, Michelle, live in the township of Patch Grove, rural Bagley. They have three children: Katelyn, 10; Bryce, 7; and Braylyn, 4.

Roy was born and raised on a dairy farm, and he has worked as a local construction contractor for 11 years.

If elected, Roy said, "I will strive to help keep electricity affordable and reliable to our valued members. Thank you."

## DISTRICT 9

### David Stute

Dave and his wife, Peg Rasch, live on a 157-acre farm in the Town of Wiota. They have been Scenic Rivers Energy Cooperative members since 2000, when they bought the place.

Dave has a B.S. degree in animal husbandry and a J.D. degree, both from the UW-Madison. He worked 31 years for the Wisconsin Legislative Council Staff, a 31-person nonpartisan service agency of the Wisconsin Legislature. He served as chief staff attorney for 14 years and as director of the Council Staff for 10 years prior to his retirement in 1999.

He is an active member of St. Joseph's Catholic Church in Argyle and the Argyle FFA Alumni. He chairs the Wiota Town Board, and follows the activities of county and school government. Also, since June 2010 he has been privileged to represent Scenic Rivers on the board of Dairyland Power Cooperative.

"During the past six years, I have been thoroughly involved in the board's continuing efforts to keep rates low, reliability high, and to bring benefits such as Focus on Energy to our members," Dave said. "This is an

uncertain time in the world of electrical generation and distribution, especially in the area of securing reasonable environmental regulation. Regardless, Scenic Rivers is able to provide reliable power at a reasonable cost, and I am committed to maintaining that tradition.

"I would appreciate your continued support. Thank you," he concluded.

### Jed Gant

Jed and his wife, Rona, have been married almost 30 years and have four children: Lindsey, Hillary, Austin, and Ashley; and one granddaughter, Letti.

Jed has been farming in rural Blanchardville for his entire life. He has dedicated years to public service, including serving as a Blanchard Township Supervisor (1999-2001), Lafayette County Board Supervisor (2004-2010), and Blanchard Township Chairman (2003-2011).

Jed stated, "If elected, I will use my years of experience to serve District 9 well and provide the best, most efficient, service to our members."

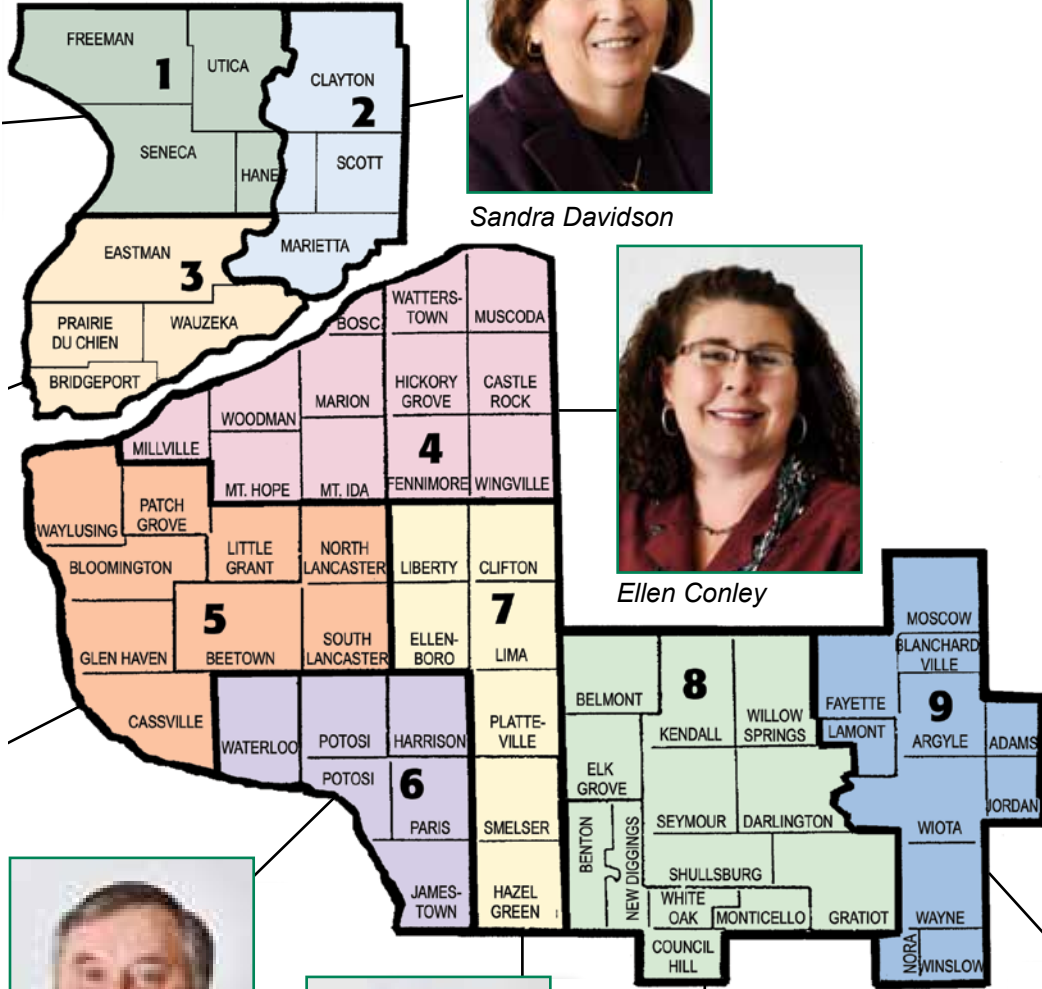
# SREC DIRECTOR DISTRICTS



*Merlin Kvigne*



*Sandra Davidson*



*Chuck Simmons*



*Ellen Conley*



*Tom Bennett*



*Don Schaefer*



*Larry Butson*



*Norman Gordon*



*David Stute*

# - REGISTRATION CARD -

(see other side)

## Vision Statement

Scenic Rivers Energy Cooperative is committed to being the area's most reliable provider of energy and related services. Our cooperative will strive to identify ways to improve the quality of life for our community.

## Mission Statement

Scenic Rivers Energy Cooperative strives to be a reliable and innovative provider of energy and related services. Our cooperative will proudly serve our customers by:

- ◆ Encouraging member involvement
- ◆ Promoting appropriate growth for our cooperative and community
- ◆ Serving as a strong advocate for effective policy at all levels of government
- ◆ Educating the community, especially youth, about cooperatives.

# SCHOLARSHIP APPLICATION

College scholarships will be awarded through a drawing at the 2011 Scenic Rivers Energy Cooperative 73rd Annual meeting on April 5, 2011. At the time of the annual meeting, to be eligible to receive a scholarship, the applicant must be either:

- a. a senior in high school;
  - b. a senior in a home-schooled program;
  - c. a non-traditional student entering their freshman year in a post secondary accredited program
- After successful completion of their first semester of post secondary school or college AND receiving credit for at least 12 hours at a minimum "C" average, a \$500 check will be made out to the student and the school for the second semester tuition. If the student fails to meet these qualifications, the scholarship will be awarded

to the alternate if they have met all the same requirements.

### Qualifications:

1. Only dependents of members or members of Scenic Rivers Energy Cooperative will be eligible to receive scholarship money. Family members of employees and directors are eligible.
2. The application must be mailed to the address below

### PRIOR to March 29th, 2011 to qualify:

Scenic Rivers Energy Cooperative  
Attn: 2011 Scholarships  
231 N. Sheridan St.  
Lancaster, WI 53813

### SREC will mail each student a letter to verify receipt of the application. If you do not hear

from SREC by March 30, 2011, please call to verify SREC received your application.

3. The student *must* be present at the SREC Annual Meeting held on April 5, 2011 to win.
4. The student must receive college credit for at least 12 hours at a minimum "C" average to be awarded the scholarship.
5. Simply fill out the application form and return it to the address stated above. Applications can be picked up at any of the SREC three offices: Lancaster, Darlington, or Gays Mills.

If you have questions regarding the 2011 Scenic Rivers Energy Cooperative Scholarship please contact Megan Graney at 608-723-2121 or 800-236-2141 ext. 105.

Name \_\_\_\_\_ Phone No. \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP Code \_\_\_\_\_

Parent Name (or legal guardian) \_\_\_\_\_

Address \_\_\_\_\_

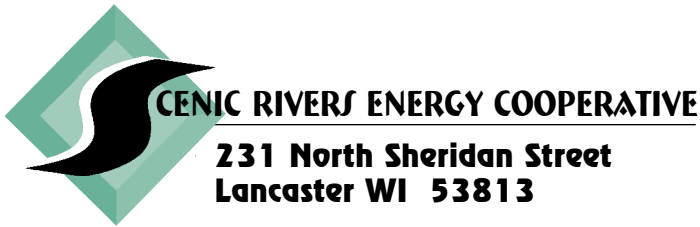
(if different from student)

Cooperative Billing Account Number \_\_\_\_\_

Township \_\_\_\_\_

Name of High School \_\_\_\_\_

Graduation Date \_\_\_\_\_



PRSR STD  
U.S. Postage  
**PAID**  
DPC

## REGISTRATION CARD

Please bring this Annual Report with you to the meeting; the mailing label will be used for registration.

# Director Districts 1, 5, and 9 Up for Election

As a member of Scenic Rivers Energy Cooperative, you have the opportunity to elect a director for your district to represent your interests on the Board of Directors. The ballot will be sent to your billing address with the names of all candidates nominated by the District Nominating Committee or by petition. For the ballot to be counted, place the ballot envelope in the outer return addressed envelope, and then **SIGN** the outer return addressed envelope in the upper left hand corner. All ballots must be mailed or delivered so as to reach the office of the Cooperative by 12 noon on Monday, April 4, 2011.

Six ballot envelopes will be drawn at the Annual Meeting on April 5, 2011 for a \$50 credit on your energy bill. To be eligible, make sure you sign your outer envelope.

Advance authorization must be given for non-individual members of the Cooperative, such as churches, schools, cooperatives, governmental bodies or corporations, to vote at the Annual Meeting. Please contact our office if you did not receive/return a proxy notice.

Please do not include your electric bill payment with the ballots, since the ballots won't be opened until the annual meeting.

**Thank you for taking interest in the activities of your Cooperative.**

