

A Service of **Alger Delta Cooperative Electric Association**

June 2013

Michigan

COUNTRY LINES

75 TH ANNIVERSARY

Special Annual Meeting Edition

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75 Years

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Celebrating 75 Years

Alger Delta Cooperative Electric Association began celebrating its 75th anniversary in 2012 with one of the most successful years in its history. Your co-op is financially healthy, and system operations are robust, reliable and more environmentally responsible than ever before.

FINANCIALLY HEALTHY

Your cooperative's financial performance has improved dramatically over the past three years and continues to show positive signs. Several key factors contributed to stable wholesale rates, adequate working capital, and increased equity in 2012:

First, kilowatt-hour (kWh) sales represented a 7.5 percent increase (4.5 million kWh) over the previous year. Average residential electric use actually decreased slightly, but increased consumption by large power accounts, including Kennecott mining operations, kept your co-op strong.

A rate adjustment made in October 2010 created a balance that allowed the co-op to recover fixed operating costs by decreasing the energy rate and increasing the monthly service charge. While this rate adjustment was difficult for the board to address, it has proven to be the right business decision.

Alger Delta's wholesale power costs are more stable today than at any other time in recent history. This stability is due to a wholesale power supply agreement with WPPI Energy Inc. WPPI's wholesale power portfolio is well-diversified, yet flexible enough to capture savings in the energy markets on behalf of Alger Delta.

Finally, your co-op has taken an aggressive approach to expense management—ensuring adequate value is received for every operational dollar spent—including labor and benefits, interest on long-term debt, system maintenance, vegetation control, and more.

ROBUST AND RELIABLE

Vegetation management, power pole testing, and the implementation of a routine maintenance schedule have produced a

more robust and reliable delivery system. Over the past three years, the average duration of a power outage has decreased by 67 percent. The average outage lasted just 1.4 hours in 2012, down from 4.4 hours in 2010. This is an incredible track record when considering the lengthy travel time required for most trouble calls and outages in Alger Delta's rural service territory.



Tom Harrell
 Chief Executive Officer

ENVIRONMENTALLY RESPONSIBLE

Alger Delta has made noted progress in its efforts to be environmentally responsible. Your co-op supported the adoption of Public Act 295 (P.A. 295) in 2008, which created a renewable portfolio standard (RPS) for Michigan. The RPS requires all electric utilities in Michigan to get 10 percent of their electric fuel mix from renewable sources by 2015. Your co-op's partnership with WPPI is a powerful ally in achieving this goal. Through WPPI, Alger Delta maintains a diversified power portfolio that includes wind, hydro, biomass and biofuel generation in its energy mix.

P.A. 295 also created the Energy Optimization (EO) program, which provides educational programs, as well as member rebates, discounts and other incentives for implementing energy-efficient measures. This successful program provided over \$100,000 in rebates to you, as Alger Delta members, for lighting upgrades and installation of renewable solar and wind generation at homes and businesses.

Over 300 Alger Delta members participated in the EO program in 2012, saving approximately 476,000 kWh in that year alone. That's enough to power 68 average Alger Delta consumers for a whole year!

Alger Delta has worked hard to ensure that your electric service is reliable and affordable, while including a responsible mix of renewable resources. As we come together for our 75th annual meeting, we're proud to say that your co-op is financially healthy, system operations are robust and reliable, and operations are more environmentally responsible than ever before.

Editor
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Michigan Electric
Cooperative
Association

Michigan Country Lines, USPS-591-710, is published monthly, except August and December, with periodicals postage paid at Okemos, MI, and additional offices. It is the official publication of the Michigan Electric Cooperative Association, 2859 W. Jolly Rd., Okemos, MI 48864.

Subscriptions are authorized for members of Alger Delta, Cherryland, Cloverland, Great Lakes, HomeWorks Tri-County, Midwest Energy, Ontonagon, Presque Isle, and Thumb electric cooperatives by their boards of directors. Subscriptions for nonmembers are \$6 per year.

POSTMASTER: SEND ALL UAA TO CFS.

Letters to the editor should be sent to Country Lines, 2859 W. Jolly Rd., Okemos, MI 48864. Phone 517-913-3531. Email: gknudtson@meca.coop.

Association officers are Ken Swope, Midwest, chairman; Robert Schallip, Cloverland, 1st vice chairman; Jon Zickert, Cherryland, 2nd vice chairman; Eric Baker, Wolverine Power, secretary-treasurer; and Tony Anderson, Cherryland, past chairman. Craig Borr is president and CEO.

Unsolicited letters, photos and manuscripts are welcome. Country Lines, however, will not be responsible for their safe keeping or return.

The appearance of advertising does not constitute an endorsement of the products or services advertised.

Change of Address: Please notify your electric cooperative. See page 2 for contact information.



Putting their combined 88 years of board experience to work for you are Alger Delta Co-op directors (front, L-R) Sam Simonetta, Bessie Anderson, Nick Denessen and Nancy Gardner-Platt; (back, L-R) Darryl Small, Gail Petersen, Paul Sederquist, Kevin Webber, Dennis Gramm and CEO Tom Harrell.

Your Co-op. Your Board. Looking out for you.

- ▶ District #1 – Big Bay
Darryl Small
- ▶ District #2 – Harvey-Deerton
Sam Simonetta
- ▶ District #3 – Grand Marais
Nancy Gardner-Platt
- ▶ District #4 – Palestine
Bessie Anderson
- ▶ District #5 – Gourley,
Labranche & Cornell
Kevin Webber
- ▶ District #6 – Nathan,
White Rapids
Paul Sederquist
- ▶ District #7 – Stonington
Gail Petersen
- ▶ District #8 – Isabella
Nick Denessen
- ▶ District #9 – Hiawatha &
Maple Ridge
Dennis Gramm

Directors work for you and you alone.
That's the cooperative difference.



Join Us At Alger Delta's 2013 Annual Membership Meeting Wed., June 19

- ▶ Grace Church, Gladstone
- ▶ Meal served 5:30 – 6:00 p.m. (EDT)
- ▶ Business Meeting 6:15 – 7:45 p.m.
- ▶ Reservations for dinner are now closed. Please join us for the business meeting at 6:15 p.m.



Bring the back cover of your 2013 May/June issue of Michigan Country Lines and redeem it for a free gift at the meeting.

Free Meal ~ Door Prizes ~ Prize Drawings

Fuel Mix Report

The fuel mix characteristics of Alger Delta Co-op Electric Association as required by Public Act 141 of 2000 for the 12-month period ended 12/31/12.

COMPARISON OF FUEL SOURCES USED

Regional average fuel mix used

Your co-op's fuel mix

FUEL SOURCE	Your co-op's fuel mix	Regional average fuel mix used
Coal	61.6%	57.9%
Oil	0.1%	0.4%
Gas	8.1%	12.2%
Hydroelectric	2.5%	0.9%
Nuclear	15.6%	25.0%
Renewable Fuels	12.1%	3.6%
Biofuel	0.03%	0.1%
Biomass	0.07%	0.4%
Solar	0.00%	0.0%
Solid Waste Incineration	0.92%	0.5%
Wind	11.00%	2.2%
Wood	0.10%	0.5%

NOTE: Biomass above excludes wood; solid waste incineration includes landfill gas.

Your Co-op's Fuel Mix



Regional Avg. Fuel Mix



EMISSIONS AND WASTE COMPARISON

TYPE OF EMISSION/WASTE	lbs/MWh	
	Your Co-op	Regional Average*
Sulfur Dioxide	2.36	7.6
Carbon Dioxide	1,472	2,170
Oxides of Nitrogen	0.96	2.0
High-level nuclear waste	0.0013	0.0083

*Regional average information was obtained from MPSC website and is for the twelve-month period ending 12/31/12.

Alger Delta purchases 100% of its electricity from WPPL, which provided this fuel mix and environmental data.

Where Your Energy Dollar Goes



6.6%

Operating Margin

21.2%

Depreciation, Interest & Tax Expense

24.0%

Operations & Maintenance

48.2%

Cost of Power



The Center of Customer Engagement



powered by MPSC

With SmartHub you can:

- Check your usage
- Contact our office
- Pay your bill
- Check our news feed
- Report a service interruption
- Access custom widgets

With SmartHub, the power of data is in your hands through convenient account management and detailed usage information. SmartHub, a mobile and web app, delivers accurate, timely account information and allows you to make payments in a secure environment with the touch of a button, right from your mobile device or on your PC. The two-way communication available with SmartHub allows you to notify us of account and service issues while providing us a way to let you know about special offers, programs, events, and more.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
 Alger-Delta Cooperative Electric Association
 Gladstone, Michigan

Report on the Financial Statements

We have audited the accompanying balance sheets of Alger-Delta Cooperative Electric Association as of December 31, 2012 and 2011, and the related statements of revenue and patronage capital and cash flows and the related notes to the financial statements for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinions, the financial statements referred to above present fairly, in all material respects, the financial position of Alger-Delta Cooperative Electric Association as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, on our consideration of Alger-Delta Cooperative Electric Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alger-Delta Cooperative Electric Association's internal control over financial reporting and compliance.

Joki, Makela, Pollack & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
 March 28, 2013

Balance Sheets

ASSETS	Dec. 31, 2012	Dec. 31, 2011
ELECTRIC PLANT		
In service	\$ 43,897,187	\$ 42,652,331
Construction work in progress	<u>1,447,937</u>	<u>1,983,089</u>
	45,345,124	44,635,420
Accumulated depreciation	<u>(14,295,816)</u>	<u>(13,340,400)</u>
Net Electric Plant	\$ 31,049,308	\$ 31,295,020
INVESTMENTS		
Investments in associated organizations	\$ 617,531	\$ 594,602
Other investments	<u>942,755</u>	<u>869,749</u>
Total Investments	\$ 1,560,286	\$ 1,464,351
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,090,048	\$ 1,563,677
Accounts receivable – electric, less allowance for doubtful accounts: (2012 – \$30,000; 2011 – \$30,000)	777,562	649,879
Accounts receivable – other	42,399	62,156
Materials and supplies	313,570	313,988
Interest receivable	3,554	3,481
Prepaid expenses	<u>87,006</u>	<u>33,478</u>
Total Current Assets	\$ 2,314,139	\$ 2,626,659
DEFERRED DEBITS		
	<u>99,476</u>	<u>77,932</u>
TOTAL	\$ 35,023,209	\$ 35,463,962
LIABILITIES & NET ASSETS		
NET ASSETS		
Memberships	\$ 80,923	\$ 80,923
Patronage capital	9,641,731	8,574,247
Other equities	<u>18,308</u>	<u>18,308</u>
Total Net Assets	\$ 9,740,962	\$ 8,673,478
LONG-TERM LIABILITIES		
Rural Utilities Service (RUS) mortgage notes	\$ 9,438,578	\$ 17,055,642
Less cushion of credit	<u>500,000</u>	<u> </u>
	\$ 8,938,578	17,055,642
National Rural Utilities Cooperative Finance Corporation (NRUFCC) supplemental mortgage notes	1,873,448	1,988,024
Federal Financing Bank (FFB) notes	3,677,053	3,742,000
CoBank, ACB mortgage notes	<u>9,351,783</u>	<u>2,450,943</u>
	\$ 23,840,862	\$ 25,236,609
Less current portion	<u>890,045</u>	<u>851,922</u>
Total Long-Term Liabilities	\$ 22,950,817	\$ 24,384,687
CURRENT LIABILITIES		
Notes payable, current portion	\$ 890,045	\$ 851,922
Accounts payable: Trade	648,362	811,040
Construction	1,129	11,146
Accrued property taxes	247,231	246,336
Accrued interest	22,820	10,929
Other current and accrued liabilities	267,129	251,634
Consumers' energy prepayments	<u>74,325</u>	<u>20,100</u>
Total Current Liabilities	\$ 2,151,041	\$ 2,203,107
DEFERRED CREDITS		
	<u>180,389</u>	<u>202,690</u>
TOTAL	\$ 35,023,209	\$ 35,463,962

From the Auditor . . .

- ▶ “We noted no matters...that we consider to be a material weakness...”
- ▶ “...no deficiencies in internal control...”
- ▶ “nothing...caused us to believe that Alger Delta failed to comply [with Federal Regulations]”
- ▶ “We noted no transactions...for which there is a lack of authoritative guidance or consensus.”
- ▶ “...no difficulties dealing with management...”
- ▶ “...no...disagreements...” regarding financial accounting, reporting or auditing of financial statements.

Statements of Revenue & Patronage Capital

	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
OPERATING REVENUES	\$ 12,818,491	\$ 11,671,449
OPERATING EXPENSES		
Cost of power	\$ 6,183,246	\$ 5,346,856
Distribution, operation	418,017	435,383
Distribution, maintenance	1,425,408	1,313,858
Consumer accounts	342,227	527,288
Sales and customer service	7,587	1,355
Depreciation	1,193,490	1,173,239
Taxes	391,302	397,052
General and administrative	<u>874,699</u>	<u>920,344</u>
Total Operating Expenses	<u>\$ 10,835,976</u>	<u>\$ 10,115,375</u>
Operating Margins Before Interest Expense	\$ 1,982,515	\$ 1,556,074
Interest expense	<u>1,132,983</u>	<u>1,239,358</u>
Operating Margins After Interest Expense	\$ 849,532	\$ 316,716
NONOPERATING MARGINS		
Interest and dividend income	\$ 129,359	\$ 103,893
Other capital credits and patronage dividends	59,282	45,350
Gain on sale of general plant assets	16,869	
Other income net of expense	<u>12,442</u>	<u>191</u>
Total Nonoperating Margins	<u>\$ 217,952</u>	<u>\$ 149,434</u>
Net Margins	\$ 1,067,484	\$ 466,150
PATRONAGE CAPITAL AT BEGINNING OF YEAR	\$ 8,574,247	\$ 8,112,016
Net retirements of patronage capital		<u>(3,919)</u>
Patronage Capital at End of Year	\$ 9,641,731	\$ 8,574,247



Alger Delta Cooperative Electric Association 75th ANNUAL MEETING AGENDA

Wednesday, June 19, 2013

Grace Church, 528 28th St., Gladstone, Michigan

5:30 – 6 p.m.	Meal (RSVP required)	
6:15 – 6:30	Invocation and Pledge of Allegiance	<i>Darryl Small</i>
	Call to Order & Introductions	<i>Kevin Webber</i>
	Reading of the Official Notice and Proof of Publication	<i>Darryl Small</i>
	Report of a Quorum	
	Reading of Minutes of the Annual Meeting	
6:30 – 6:40	Recognition of Departing Directors	<i>Kevin Webber</i>
	• Darryl Small, District 1 (Big Bay)	
	• Dennis Gramm, District 9 (Hiawatha/Maple Ridge)	
	Installation of Elected Directors	<i>Kevin Webber</i>
	• Mike Nason, District 1 (Big Bay)	
	• Paul Sederquist, District 6 (Nathan/White Rapids)	
	• Ron Oberg, District 9 (Hiawatha)	
6:40 – 6:50	President's Report	<i>Kevin Webber</i>
	Auditor's Report	<i>Bill Joki, CPA</i>
6:50 – 7:20	New Business / Q&A	
7:20 – 7:45	Manager's Report	<i>Tom Harrell, CEO</i>
	WPPI Report	<i>Mike Peters, CEO</i>
	MECA Report	<i>Craig Borr, CEO</i>
7:45	Adjourn	

Please remember to collect your gift bag at the end of the meeting! Immediately following the annual meeting the board will convene for the board reorganization meeting and other business.