

# 2010 ANNUAL REPORT



Reliability • Value • Community



Tri-County Electric  
Cooperative

# Representing Your District

|                    | Area Served:   | Tri-Country Electric Cooperative Board: | Tri-Country Electric People Fund Board: |
|--------------------|--|---|---|
| <b>District 1:</b> | Eaton, Ingham and Jackson counties   | Philip Conklin                          | Richard Palermo                         |
| <b>District 2:</b> | Barry and Ionia counties   | Wayne Swiler                            | Jerry Supina                            |
| <b>District 3:</b> | Clinton County except Bingham, Duplain and Greenbush townships   | Carl Morton                             | Mary Ellen Heffron                      |
| <b>District 4:</b> | Montcalm County, except Bloomer, Crystal and Evergreen townships   | Laverne Hansen                          | Lisa Johnson                            |
| <b>District 5:</b> | Gratiot and Saginaw counties, except Bingham, Duplain and Greenbush townships in Clinton County, and Bloomer, Crystal and Evergreen townships in Montcalm County | Cara Evans                              | Peggy Pirhonen                          |
| <b>District 6:</b> | Clare and Isabella counties  | Ed Oplinger                             | Dick Donley                             |
| <b>District 7:</b> | Mecosta and Osceola counties   | Dean Floria                             | Patti Ferris                            |



**Your Tri-Country Electric Cooperative Board of Directors: Seated, from left: Laverne Hansen, Carl Morton, Wayne Swiler. Standing: Ed Oplinger, Dean Floria, Mark Kappler (General Manager), Cara Evans, Phil Conklin**

# Focused On The Job At Hand

**A**t this year's district membership meetings, we quoted Sen. Everett Dirksen of Illinois, who once said, "I am a man of fixed and unbending principles—the first of which is to be flexible at all times."

Being flexible is just as important for running an electric cooperative as it is in politics. Even our long-term plans must be reviewed and adjusted regularly to meet the changing needs of our members.

Three statements, along with the principle of flexibility, help us stay focused on the job at hand:

## **We are a reliable source of energy.**

Our long-term work plans make sure the electric system can handle growth and shifting patterns of use.

Some of our power lines are decades old and still serving well; even pole #1 is still in use near Eaton Rapids. But we've also built new lines to serve new areas, and rebuilt other lines as our members' needs grew over the years.

Proactive inspection of the poles, wires and other equipment gives us preventive maintenance that catches potential problems before they can cause power outages.

Our right-of-way clearing is aggressive, covering hundreds of miles each year, and helps keep trees from causing problems with the power lines.

And, our partnership with Wolverine Power Cooperative brings you electric power from a diverse range of sources. Wolverine is committed to reliability and affordability as they seek out energy supply on your behalf.

## **We help you get the most value for your energy dollars.**

We not only work to keep energy affordable, we also believe in being good stewards of our resources.

We help our members manage their energy use with energy efficiency programs. We promote geothermal heating and cooling, and use *Michigan Country Lines* magazine, our website, and our offices to provide helpful tips.

Energy Optimization programs go even further, rewarding smart energy use with rebates for lighting, appliances, and heating and cooling systems.

On the business side, in this first year of returning to member regulation, your board of directors has committed to learning even more about financial

management and rate design. One task is balancing our strong equity level of 49.7 percent with the need to return capital to the members who built that equity over the years.

That need for balance lead to this year's retirement of \$760,000 in capital credits, most to members who purchased electricity in 1984 and 1985, and some to 2010 members.

One cooperative principle is members' economic participation and retiring capital credits means that older capital is paid back to the members who paid it in, and current capital needs will come from current members.

## **As a cooperative, we make a difference in our communities.**

The Tri-County Electric People Fund continues to do great things with your spare change.

When you round up your electric bill to the next dollar, the difference is given to the People Fund and granted back to families and organizations in need.

With the nearly \$1.6 million given back since we started the People Fund in 1993, you have helped hundreds of families with housing, medical, educational, and other needs. Thank you for your continued support of a wonderful program.

Sen. Dirksen is also quoted as saying, "When all is said and done, the real citadel of strength of any community is in the hearts and minds and desires of those who dwell there."

Substitute "cooperative" for "community" and you have the formula for success at HomeWorks Tri-County Electric.

Our strength comes from you, our 21,880 member-owners, and from our 70 employees. With your patronage, support and hard work, you make HomeWorks Tri-County Electric Cooperative a successful provider of energy solutions that improve the quality of life here in mid-Michigan.



Carl Morton, Board Chairman



Mark Kappler, General Manager & CEO

# Balance Sheet

## HomeWorks Tri-County Electric Cooperative

Year Ended December 31,

(in Thousands)

**2010**

**2009**

### ASSETS

|  |                   |                   |
|--|-------------------|-------------------|
| Total Utility Plant                    | \$ 86,933         | \$ 82,856         |
| Accumulated Depreciation               | (23,538)          | (22,312)          |
| Net Utility Plant                      | 63,395            | 60,544            |
| Investments in Associated Organization | 30,879            | 31,260            |
| Cash and Cash Equivalents              | 705               | 2,357             |
| Accounts Receivable                    | 5,793             | 5,722             |
| Materials and Supplies                 | 763               | 830               |
| Other Assets                           | 178               | 396               |
| <b>Total Assets</b>                    | <b>\$ 101,713</b> | <b>\$ 101,109</b> |

### EQUITIES and LIABILITIES

#### MARGINS and EQUITIES:

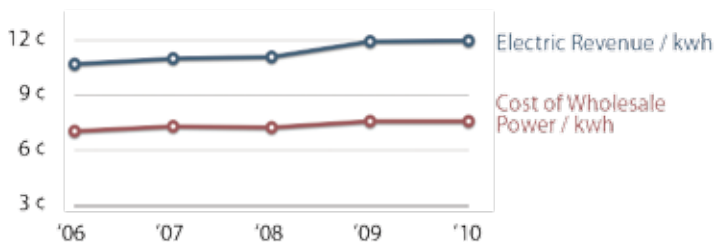
|                                   |               |               |
|-----------------------------------|---------------|---------------|
| Patronage Capital                 | \$ 40,663     | \$ 39,700     |
| Other Equities                    | 9,930         | 9,353         |
| <b>Total Margins and Equities</b> | <b>50,593</b> | <b>49,053</b> |

#### LIABILITIES:

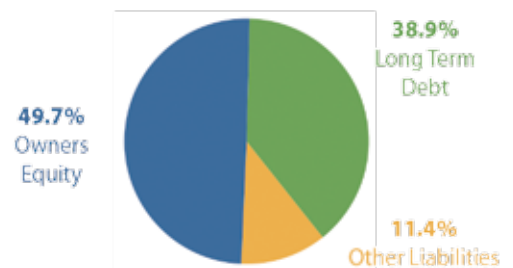
|                                     |        |        |
|-------------------------------------|--------|--------|
| Long Term Debt                      | 39,500 | 26,834 |
| Notes Payable                       | 2,771  | 16,633 |
| Accounts Payable                    | 4,645  | 4,339  |
| Other Current & Accrued Liabilities | 4,204  | 4,250  |

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| <b>Total Liabilities</b>              | <b>51,120</b>    | <b>52,056</b>    |
| <b>Total Equities and Liabilities</b> | <b>\$101,713</b> | <b>\$101,109</b> |

**Revenue & Cost of Power**



**2010 % of Assets**



Complete, audited financial statements are maintained at the Portland office of HomeWorks Tri-County Electric Cooperative, Inc. The independent audit of 2010 financial statements was unqualified, and completed by the certified public accountant (CPA) firm of Eide Bailly, Fargo, ND.

# Statement of Operations

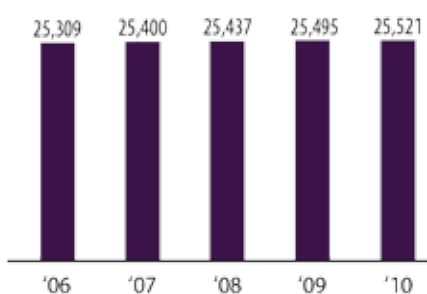
## HomeWorks Tri-County Electric Cooperative

Year Ended December 31,

(in Thousands)

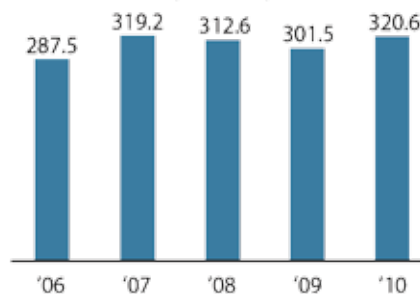
|                                    | <b>2010</b>     | <b>2009</b>     |
|------------------------------------|-----------------|-----------------|
| <b>OPERATING REVENUES</b>          | \$ 38,305       | \$ 35,894       |
| <b>OPERATING EXPENSES</b>          |                 |                 |
| Cost of Purchased Power            | 24,314          | 22,851          |
| Operations and Maint. Expense      | 7,342           | 6,812           |
| Depreciation                       | 2,488           | 2,324           |
| Interest                           | 1,849           | 1,789           |
| Taxes                              | 1,032           | 872             |
| <b>Total Operating Expenses</b>    | <b>37,025</b>   | <b>34,648</b>   |
| <b>Net Operating Income</b>        | <b>1,280</b>    | <b>1,246</b>    |
| <b>NON-OPERATING MARGINS</b>       |                 |                 |
| Capital Credits - G&T and Other    | 216             | 2,007           |
| Income (Loss) from Subsidiary      | 473             | 213             |
| Non-Operating Margin - Other       | (64)            | 163             |
| <b>Total Non-Operating Margins</b> | <b>625</b>      | <b>2,383</b>    |
| <b>NET MARGINS</b>                 | <b>\$ 1,905</b> | <b>\$ 3,629</b> |

**Active Meters**

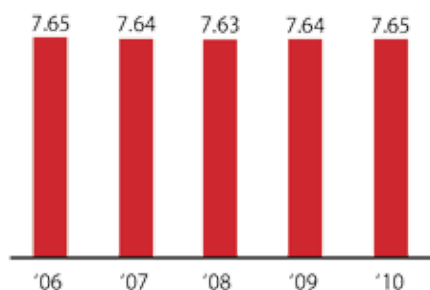


**Member Sales (kwh)**

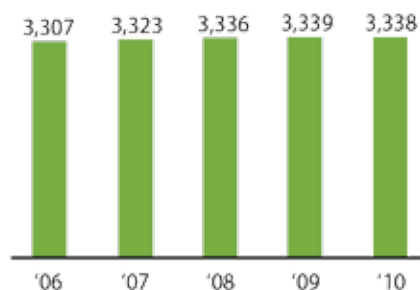
(in millions)



**Meters Per Mile of Line**



**Miles of Electric Line**



# Financial Summary

## HomeWorks Affiliates

### Statement of Operations: Tri-Co Services, Inc.

Year Ended December 31,

(in Thousands)

|   | 2010     | 2009     |
|---|----------|----------|
| <b>OPERATING REVENUES</b>               | \$ 4,749 | \$ 6,122 |
| Cost of Sales                           | 3,067    | 4,673    |
| Sales, General & Administrative Expense | 1,055    | 1,114    |
| Income Tax Expense                      | 154      | 122      |
| <b>NET INCOME</b>                       | \$ 473   | \$ 213   |

### Balance Sheet: Tri-Co Services, Inc.

Year Ended December 31,

(in Thousands)

|   | 2010     | 2009     |
|---|----------|----------|
| <b>ASSETS</b>                             |          |          |
| Current Assets                            | \$ 3,030 | \$ 3,051 |
| Investments in Associated Organizations   | 2,036    | 1,646    |
| Property and Equipment, less depreciation | 3,336    | 3,448    |
| Notes Receivable                          | 693      | 2,032    |
| <b>Total Assets</b>                       | \$ 9,095 | \$10,177 |
| <b>EQUITIES and LIABILITIES</b>           |          |          |
| Current Liabilities                       | \$ 1,344 | \$ 1,501 |
| Deferred Taxes                            | 613      | 1,075    |
| Common stock - \$1 par, 50,000 shares     | 50       | 50       |
| Additional paid in capital                | 0        | 937      |
| Retained Earnings                         | 7,088    | 6,614    |
| <b>Total Equities and Liabilities</b>     | \$ 9,095 | \$10,177 |

### 2010 Affiliate Statistics

## 3,686

Propane Customers  
(3,658 in 2009)



## 3,995

DIRECTV Customers  
(4,453 in 2009)

## 78.5%

Equity  
(74.7% in 2009)



## 356

WildBlue Customers  
(434 in 2009)





Country Lines magazine, January/February 1988

## The End of an Era

When then-general manager Bob Matheny announced the cooperative's entrance into the satellite business in 1988, it was an extension of Tri-County Electric Cooperative's mission to provide needed services to rural residents.

That early "big dish" business led to DIRECTV®, and from there to communications services including dial-up and satellite internet connections. Building on those early successes, the co-op's subsidiary, Tri-Co Services, Inc., also began offering metered propane service.

Through all these ventures, Tri-Co Services, Inc., has brought energy, comfort and communications solutions to Tri-County Electric Cooperative members and others in mid-Michigan.

The cooperative's board of directors invested in the promise of DIRECTV by purchasing franchise areas within its service territory. So did many other rural electric co-ops across the U.S., helping Hughes Communications build and launch its first broadcast satellite in 1993. DIRECTV was a big success story for Tri-Co Services after it went live in 1994, with nearly 8,500 subscribers at the highest point.

DIRECTV bought back its rural franchise areas several years ago as a first step in centralizing control of their service. Tri-Co Services continued serving the same areas through a service agreement that ended July 15, 2011.

## Save With Energy Optimization Programs

Energy optimization means using energy wisely. HomeWorks offers many energy efficiency programs designed to reduce the energy use of participating members by encouraging investment in energy efficiency measures.

These programs are funded through an Energy Optimization Surcharge on each member's monthly electric bill (as required by Michigan Public Act 295 of 2008).

|   |  |
|---|--|
| <p><b>\$50</b><br/>CASH BACK<br/>WATER HEATER<br/>PROGRAM</p>       | <p><b>\$100</b><br/>CASH BACK<br/>FURNACE/<br/>CENTRAL AIR</p> |
| <p><b>\$15</b><br/>CASH BACK<br/>CEILING FAN<br/>WITH LIGHT KIT</p> | <p><b>\$30</b><br/>CASH BACK<br/>OLD APPLIANCE<br/>PROGRAM</p> |
| <p><b>\$25</b><br/>CASH BACK<br/>DISHWASHER</p>                     | <p><b>FREE</b><br/>ONLINE<br/>HOME ENERGY<br/>AUDIT</p>        |

For more rebates and information, visit us online at: [www.homeworks.org/SaveEnergy](http://www.homeworks.org/SaveEnergy) or call 1-877-296-4319.





**Tri-County Electric  
Cooperative**

## Our Mission:

Our mission is to provide our members and customers with energy, comfort and communications solutions that will enhance their quality of life.

3681 Costabella Avenue  
Blanchard, MI

7973 E Grand River Avenue  
Portland, MI

[homeworks.org](http://homeworks.org)

800-562-8232

**Apprentice lineworkers Ryan Smith, left, and Kyle Balderson repair a line crossing the Grand River, northwest of Onondaga, following the May 30 storms.**  
*(Photo by Mark Goodman)*