

# Official Notice of Annual Meeting of Vernon Electric Cooperative

**Date:** Saturday, March 29, 2008  
**Place:** Westby High School Gymnasium, Westby, WI  
**Time:** Registration ..... 8:00 a.m.  
Breakfast — High School Cafeteria. .... 8:00 – 9:45 a.m.  
Music  
Pledge of Allegiance ..... 10:00 a.m.

Call to Order — LeRoy “Bud” Nemec, President  
Invocation  
Establishment of Quorum  
Notice of Meeting and Proof of Mailing — David Dregne, Secretary  
General Manager’s Report — Michael McMahon  
Review Committee Report  
Election Committee Report  
Dairyland Power Co-op Report — Brian Rude, Director, External Relations  
Old and New Business  
Scholarships  
Adjournment  
Drawing for Attendance Prizes

Following are items of business that may be acted upon at the business meeting:

- Action upon Policy Resolution submitted by members. All such Policy Resolutions must be filed at the office of the Cooperative on or before 12:00 noon, March 21, 2008.
- Such other business as may come before this meeting or any adjournment thereof.

We sincerely hope that you are able to attend.

Dated March 1, 2008

*David Dregne*  
David Dregne, Secretary

## Registration Card

*Cut this card out and bring it with you to the Annual Meeting. It will also be used to award attendance prizes.*

Vernon Electric Cooperative’s 72nd Annual Meeting, March 29, 2008, Westby High School

Name \_\_\_\_\_ Account No. \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

## Spouse Registration

Vernon Electric Cooperative’s 72nd Annual Meeting, March 29, 2008, Westby High School

Name \_\_\_\_\_ Account No. \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_



*Michael P. McMahon,  
General Manager*

## 2007 Executive Report

2007 was a successful year for Vernon Electric Cooperative. A great deal of this success can be directly attributed to the fine efforts of our employees during the year. It has often been said that employees are the most valuable asset of an organization, and that is

true of your employees as well!

While 2007 did not go without challenges, the cooperative did manage to meet most all of its objectives even though it was hindered by a number of summertime storms that occurred mostly in August. For those members who were impacted by power interruptions during these events, we want to thank you for your patience and understanding. A considerable amount of damage was sustained, and the cooperative was fortunate in receiving mutual aid assistance from our neighboring cooperatives. The most significant amount of damage, as one might expect, involved the overhead power lines. However, the flooding also washed out underground conductor as well. In all, we suffered more than \$600,000 in monetary damages, of which 75 percent was covered by a FEMA grant and 12.5 percent by a grant from Wisconsin Emergency Services. As the members and employees of Vernon Electric who were directly affected can attest, this was a difficult time and we were all dealing with difficult circumstances. Fortunately, we were able to restore power over a few days and accomplish it safely!

During 2007, the cooperative finished up the remaining portions of the four-year construction work plan (CWP). This plan contains the system improvements, new construction, and ordinary replacements for the utility plant that had been predetermined over four years ago. The CWP was financed with an \$8.4 million loan using funds from the Federal Financing Bank (FFB). About mid year, a new four-year CWP was developed using the findings from a newly developed long-range engineering work plan. The new CWP has an estimated cost of \$9.5 million or about \$2.4 million in capital expenditures per year. The new CWP will focus on the overhead plan as most of the previous plan had been limited to replacement of underground conductor. Also during 2007, the cooperative completed about 40 percent of a full cycle of right-of-way tree and brush clearing. This is not a cheap proposition, as this type of maintenance work can consume upwards to \$500,000 per year. The first full trimming and clearing

cycle was completed in 2006, and we are now working on the repeat cycle. The budget for keeping up with this task should be somewhat lower in future years, and the results should allow fewer service interruptions and less of those annoying blinks.

As evidence of a successful year, the Vernon Electric Board of Directors approved the payment of capital credits to the membership in the amount of \$486,969, of which \$320,580 were paid in general retirements and another \$166,389 in estate payments. With patronage capital and margins sufficient to meet and exceed the mortgage requirements, the members' equity ownership in Vernon Electric stood at 49.7 percent at year end. This represents a strong financial position and allows your cooperative access to low-cost capital needed for its CWP projects and for working capital needs.

As members / owners of Vernon Electric, the members also own the power plants. Currently 25 electric cooperatives located in Wisconsin, Minnesota, Iowa, and Illinois represent the ownership of Dairyland Power Cooperative (DPC). DPC operates a number of coal-fired generating stations and is now nearing completion of Weston 4, a new coal unit that will provide an additional 160 megawatts for our members. In the last couple of years, DPC's costs have been severely impacted by rail delivery costs of the base fuel — coal. This situation has continued through 2007 and was the cause for a retail rate adjustment again in 2007. While we are still subject to the much higher railroad charges, we will also face much higher coal barging costs in the near future. The coal we use is mined in the western states of Wyoming and Utah and is shipped by rail to our plants located at Alma. Roughly half of the coal is shipped to St. Louis by rail and then shipped the final distance by barge to Genoa. Transportation costs represent up to 70 percent of the fuel costs, which continues to be a problematic issue for DPC and its member / owner cooperatives and the members of Vernon Electric as well.

In 2007 your board of directors took action to move forward with the planning for a new headquarters facility. This facility would include a truck garage, warehouse, pole yard, and office complex. Land for this project was acquired in late 2006 and is located on the outskirts of Westby. After an extensive review of the current facilities

*(Continued on page 28 ►)*



*LeRoy (Bud) Nemeč,  
Board President*

# Vernon Electric Cooperative

**Dan Korn**  
Division V

**Dennis Kelbel**  
Division VI

**Richard Nemec**  
Division VIII

**Herbert Kramer**  
Division I

**James Goodman**  
Division IX

**David Olson**  
Division II

**LeRoy Nemec**  
Division VII

**Bernadine Hornby**  
Division III

**Orlan Bakkum**  
Division IV

**David Dregne**  
Division X

## Executive Report *(Continued from page 5)*

it was determined that they are becoming outmoded for the cooperative's operations. Built in the mid 1950s and now surrounded by other buildings in downtown Westby, the current complex has little if any room left to expand. This is a once-in-a-50-year project, and the concept involves building a consolidated facility to meet at least another 50 years of operations.

We are also very pleased to report that 2007 passed without any serious accidents or injuries. This comes as a result of our employees and members taking safety seriously. We spend several hours each and every month of the year in formal safety training for our employees and maintain safety manuals and procedures for the line work they accomplish.

As a final but important note, Vernon Electric Cooperative would not exist without its membership, and as such the employees and directors of the cooperative would like to offer our thanks to the members for their patronage during the year. We would also like to offer a thank you for the patience and understanding you afford us as we work to provide efficient and reliable service. As an electric cooperative we have stuck to the core business of providing electric service for which we were originally established, and this has allowed us to focus all of our efforts on providing the best service possible. Again, our thanks for another successful year!

Please consider joining us at this year's annual meeting at the Westby High School on Saturday, March 29. A pancake breakfast will be served prior to the meeting. ■

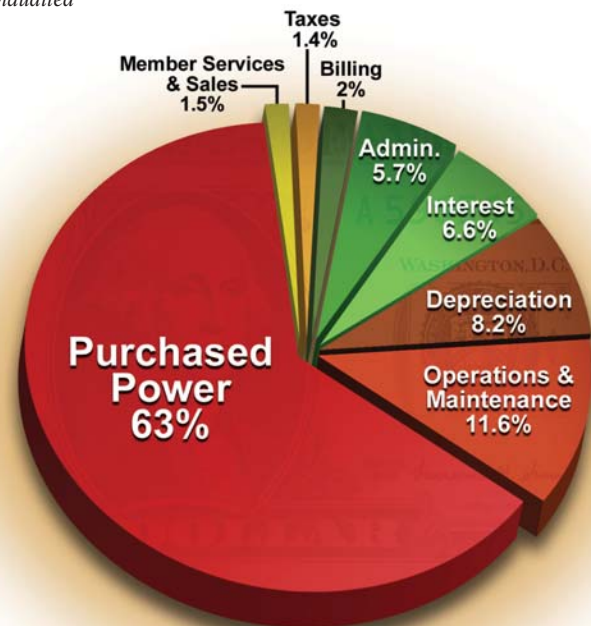
# Balance Sheet

WHAT WE HAVE	2007*	2006
UTILITY PLANT, at cost		
Intangible plant	\$808	\$808
Distribution plant	34,872,871	33,473,979
General plant	3,782,883	3,744,504
Electric plant in service	38,656,562	37,219,291
Construction work in progress	206,029	353,495
TOTAL UTILITY PLANT	\$38,862,591	\$37,572,786
Less accumulated provision for depreciation	(8,389,976)	(7,659,807)
NET UTILITY PLANT	\$30,472,615	\$29,912,979
OTHER PROPERTY AND INVESTMENTS		
Investments in associated organizations	\$5,825,695	\$5,525,540
Investments in econ. development projects	20,000	30,000
Other Investments	104,481	110,900
Special Funds	1,171,440	1,045,843
TOTAL OTHER PROPERTY AND INVESTMENTS	\$7,121,616	\$6,712,283
CURRENT ASSETS		
Cash, general	\$95,496	\$95,357
Short-term investments	622,171	1,821,738
Accounts receivable	1,729,129	1,374,930
Material and supplies inventory	537,342	361,797
Other current and accrued assets	108,104	101,267
TOTAL CURRENT ASSETS	\$3,092,242	\$3,755,089
DEFERRED DEBITS	\$95,125	\$21,489
<b>TOTAL ASSETS</b>	<b>\$40,781,598</b>	<b>\$40,401,840</b>
WHAT WE OWE	2007*	2006
LONG-TERM DEBT, less current maturities		
RUS mortgage note	\$9,572,747	\$9,796,577
National Rural Utility Cooperative Finance	6,181,353	6,445,318
Co Bank	971,226	1,200,863
Promissory Note	152,000	228,000
Economic Development Loans	10,000	21,030
TOTAL LONG-TERM DEBT	\$16,887,326	\$17,691,788
CURRENT LIABILITIES		
Current maturities of long-term debt	\$796,736	\$823,030
Accounts payable	1,099,236	969,034
Other current accrued liabilities	502,893	491,920
TOTAL CURRENT LIABILITIES	\$2,398,865	\$2,283,984
DEFERRED CREDITS	\$138,772	\$132,126
ACCUMULATIVE OPERATING PROVISIONS	1,072,070	1,045,843
TOTAL LIABILITIES	\$20,497,033	\$21,153,741
WHAT WE OWN		
EQUITIES AND MARGINS		
Patronage Capital	\$17,996,545	\$17,277,954
Other equities	2,288,020	1,970,145
TOTAL EQUITIES AND MARGINS	\$20,284,565	\$19,248,099
TOTAL EQUITIES, MARGINS AND LIABILITIES	<b>\$40,781,598</b>	<b>\$40,401,840</b>

# Statement of Revenue and Expenses

OPERATING REVENUES	2007*	2006
Electric Energy Revenue	\$15,551,265	\$14,544,846
Other Electric Revenue	102,016	105,380
TOTAL OPERATING REVENUES	\$15,653,281	\$14,650,226
OPERATING EXPENSES		
Cost of purchased power	\$9,372,957	\$8,353,412
Distribution expense – operations	868,691	695,663
Distribution expense – maintenance	849,728	931,734
Consumer account expense	284,203	281,902
Customer service	101,010	106,900
Sales expense	120,674	118,432
Administration and general expense	836,063	920,413
Depreciation expense	1,215,971	1,179,263
Taxes	198,274	198,965
Other deductions	1,972	(4,330)
Interest on long-term debt	977,066	987,363
TOTAL OPERATING EXPENSE	\$14,826,609	\$13,769,717
OPERATING MARGINS	<b>\$826,672</b>	<b>\$880,509</b>
NON-OPERATING MARGINS		
Interest income	\$172,114	\$239,881
Other non-operating income	2,517	1,698
Dairyland Power Co-op capital credits	371,547	359,153
Other capital credits	102,983	98,765
TOTAL MARGINS	<b>\$1,475,833</b>	<b>\$1,580,006</b>

\* unaudited



## 2007 EXPENSE DOLLAR