

NEWS RELEASE FROM:

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FOR IMMEDIATE RELEASE

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DONGOLA – More than 500 members of Southern Illinois Electric Cooperative (SIEC) attending the co-op's 72nd annual meeting heard reports on local and national issues impacting the co-op's rates. Co-op leaders said growing global demand for energy, dwindling base load generation, resistance to new coal generation, inadequate high-voltage transmission lines, and increased regulation is leading to higher costs and greater risk, and uncertainty in decision making. The meeting was held Thursday, August 4 at the Shawnee Community College in Ullin.

Board President Scott Ury of Anna reported the co-op's equity improved due to expense cuts, delayed spending on capital expenses and due to a year without major system-damaging storms like previous years. Ury announced that because of 2010 being an excellent year of margins, the board of directors has determined it will retire approximately \$650,000 in capital credits later in 2011. This retirement will be a partial refund of the 1984 capital credits.

General Manager and Executive Vice President Larry Lovell said the industry is experiencing "suffocation from regulation." Although climate change legislation did not pass in Congress, Lovell said the U.S. Environmental Protection Agency is moving forward with regulation of carbon emissions. "In addition, EPA policies dealing with coal ash, cooling water intake, hazardous air pollutants, cross-state air pollution rules, and state renewable energy requirements will lead to higher costs," said Lovell.

This is leading some utilities to shutdown older base load coal fired generation. Lovell said that the North American Reliability Corporation (NERC), the nation's power grid watchdog, forecasts the country will need to build 135,000 megawatts of new generation by 2017 to meet expected demand. But only 77,000 megawatts of generation is on the drawing board leaving a big gap in the country's energy supply. Compounding the problem NERC estimates that EPA regulations may lead to a closure of 33,000 to 77,000 megawatts of capacity by 2015.

In 2007, anticipating a need for new generation, Southern Illinois Power Cooperative (SIPC) purchased a 7.9 percent or approximately 125 megawatts of the Prairie State Energy Campus being completed in Washington County.

The two coal-fired generating units will produce 1,600 megawatts of “clean, low-cost electricity,” says Lovell. Every aspect of Prairie State is being designed to ensure environmental protection. The project will invest approximately \$1 billion in 21st century technologies, making it among the cleanest power plants of its kind anywhere in the nation.

The first unit will begin generating power in January using coal mined at the same site, thus lowering expenses by eliminating coal transportation costs. The second unit will begin generation by next summer.

To recover the cost of its long-term investment SIPC will increase its wholesale power rates to Southern Illinois Electric Cooperative and six other southern Illinois electric co-op owners of the generation and transmission cooperative. Lovell expects to see a 21 percent wholesale power cost increase next year. A seventh co-op, Norris Electric Cooperative headquartered in Newton, will begin buying power from SIPC in 2013, and that will lower the expected increase to 16 to 18 percent beginning in that year.

To diversify its energy portfolio, SIPC also recently announced it is purchasing 10 megawatts of wind energy power from the Pioneer Trail Wind Farm. The wind farm is being developed east of Paxton, Ill.

Lovell said that because wholesale power costs represent 60 percent of the local rates, the increase to local co-op members would be approximately 9 to 13 percent. Lovell said the board is analyzing several options including restructuring the rates, increasing the wholesale power cost adjustment or a combination of the two options.

“We don’t anticipate any changes in rates until 2012,” said Lovell. “We’ll keep you informed every step of the way. We are deeply concerned about escalating costs in our volatile economy. We will work hard to minimize the impact of any necessary price increases. We are accountable to you, our members and not to outside investors. SIEC is a cooperative, a not-for-profit business and you, as a member, are important in our decision making.”

Southern Illinois Electric Cooperative is a member of Touchstone Energy® — an alliance of more than 700 local, consumer-owned electric utilities around the country. Southern Illinois Electric is committed to providing superior service based on four core principles: integrity, accountability, innovation and commitment to community. The co-op serves more than 11,700 meters over 2,120 miles of line in parts of Alexander, Johnson, Massac, Pope, Pulaski and Union counties. For more information visit www.siec.coop.

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Photo Caption:

During the 72nd annual meeting of the members of Southern Illinois Electric Cooperative members elected three directors. From the left are Executive Vice President/General Manager Larry Lovell of Anna, board members Scott Miller, Carole

Kelley and David Martin. Miller replaces retiring board member Raymond Snell and Martin replaces retiring board member Larry Fisher.

