

CEC refunding \$1.5 million in capital credits

Last year, CEC refunded \$1 million in capital credits for patronage in 1990 and a portion of 1991. At the March meeting, Citizens' Board of Directors voted to refund an additional \$1,500,000 for capital credits accrued in 1991.

So, if you purchased electricity from CEC during that year, you can expect to receive a credit on your May bill. The credit amount depends on your usage. For an average residential member using around 11,000 kilowatt hours (kWh) per year in 1991, this will amount to approximately \$40.

Like the last refund, capital credits will be applied to bills for active accounts. Checks will be mailed to members with inactive accounts who had electric service in 1991. This saves the Corporation thousands of dollars in postage and administrative expenses rather than mailing all refunds as was the practice for many years.

What are capital credits?

Since CEC conducts business as a not-for-profit cooperative, revenues that exceed expenses (i.e. margins) are allocated to members annually proportionate to the amount of electricity each member purchased.

Capital credits are not like a savings account, but rather a form of equity in hard assets such as poles, wire, trucks, equipment and

buildings – not necessarily in cash. These credits only become a liquid asset to members as the board approves retirements for specific years.

What is the difference between allocating and retiring capital credits?

Capital credits are allocated (assigned) every year when revenues exceed expenses. They are only retired (refunded) at the sole discretion of the Board of Directors whenever the financial condition of the Corporation allows.

How does CEC pick what years to refund?

CEC uses the FIFO (first in and first out) method to retire capital credits. Therefore, those folks who have had service the longest receive capital credit returns first.

What happens to your capital credits if you move away?

As capital credits are retired, checks are mailed to the last available address for inactive accounts. Therefore, it's important that you keep us informed about your mailing address, if you move outside of our service territory. Capital credits that are unclaimed two years after the retirement date are considered donated capital and are reassigned as current year margins.

Over the past 17 years, CEC has refunded a total of more than \$17.6 million to its members.

John Trapp retires from CEC



Operations VP Ron Klein thanks John Trapp for his long-time commitment to CEC members.

For nearly 32 years, many people in the Perryville area have associated Citizens Electric with John Trapp. On February 17, 2011, John spent his last day working as the Perryville District Superintendent to enjoy a much-deserved retirement.

John began his career with CEC in July 1979. He started as a Warehouseman, and he remained in that position until he was promoted to Warehouseman Senior in 1987. In January 1995, he became Assistant Superintendent of the Perryville District and served in that position until July 2008, when he became District Superintendent.

In John's farewell message to fellow employees, he noted all of the changes that have taken place at Citizens Electric during his career. These included the building where he first started, the changeover in management and personnel, the line equipment and vehicles, and the onset of computers that have dramatically changed the way things are done.

"The one thing that hasn't changed, though," noted Trapp, "is that I worked with a great bunch of folks when I started, and I still work with great people who sincerely care about our members."

John has been replaced by Kent Kassell, a former Journeyman Lineman and Assistant Superintendent, who brings a great deal of knowledge and experience to the District Superintendent position.

Front and back cover news provided by CEC.

QUARTERLY BOARD HIGHLIGHTS

January 2011 – March 2011

- Approved previous meeting minutes, monthly stock issuances and cancellations, monthly safety and training reports, monthly summaries of estimate work orders, and monthly outage reports.
- Reviewed and discussed monthly financial statements of the Corporation;
- Approved the Corporation's Affirmative Action Plan;
- Reviewed and accepted the audit of the Corporation for year ending December 31, 2010 as prepared by Kerber, Eck & Braeckel;
- Authorized the execution of a supplemental mortgage and security agreement refinancing certain debt to take advantage of lower interest rates;
- Accepted the bid from Kerber, Eck & Braeckel to perform the Corporation's audit for year ending December 31, 2011;
- Approved the retirement of \$1.5 million in capital credits in 2011;
- Received monthly reports regarding the Corporation's compliance with NERC/SERC reliability standards;
- Reviewed the Corporation's Reliability Standards Compliance Program;
- Received a report on the February 1-2, 2011 winter storm;
- Approved the purchase of steel poles for rebuilding two transmission lines;
- Approved the purchase of an additional transformer to be installed at an existing substation;
- Received the Corporation's annual net metering report;
- Received an expanded safety report on the Corporation's OSHA Form 300A for 2010 and the new safety accreditation process;
- Discussed meetings and phone calls with members;
- Received monthly reports on member services activities including member survey responses and use of remote payment systems;
- Approved the disbursement of monies to East Missouri Action Agency to assist members in paying their winter electric bills;
- Reviewed monthly meeting activities of Wabash Valley Power Association, Inc. (WVPA);
- Received monthly reports on the status of the Corporation's future facilities plan;
- Approved the transfer of funds to a restricted account to be used for the possible construction of future facilities;
- Adopted a resolution supporting passage of the proposed early site permit legislation (SB 50 and HB 124);
- Approved revisions to various board policies;
- Set the place, date and time for the 2011 Annual Meeting of Shareholders and approved the Official Notice thereof;
- Appointed three directors to serve as the Official Proxy Committee at the 2011 Annual Meeting of Shareholders;
- Set the date of March 1, 2011, as the record date for determining shareholders entitled to participate in the 2011 Annual Meeting of Shareholders;
- Authorized the use of a Proxy Ballot for the 2011 Annual Meeting of Shareholders; and
- Received reports on meetings and training classes attended by directors.

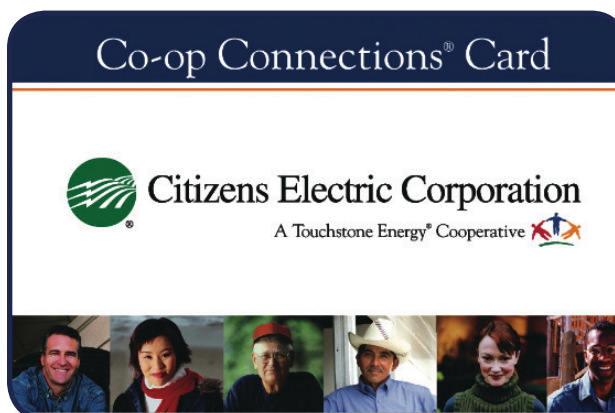
Watch for your Co-op Connections® Card Being mailed to all members in mid-May

Although our main purpose is to provide safe, reliable power, Citizens Electric wants to offer a value that extends beyond the wires. We believe that the Co-op Connections® program will accomplish that goal and positively impact everyone in the communities we serve.

Citizens Electric Corporation (CEC), in conjunction with other Touchstone Energy co-ops (serving 17 million members nationwide), is launching the Co-op Connections® program. This new card-based member benefit program is designed to deliver added value to our members by offering valuable discounts at participating local and national businesses. And it's **free**.

Whenever a Co-op Connections cardholder – whether from CEC or from one of the hundreds of Touchstone Energy co-ops across the country – shows the Co-op Connections card at a participating business, they receive a discount. Equally, those businesses

benefit from increased customer visits by co-op members participating in the program. And it's easy to spot which local businesses are participating.



Look for the Co-op Connections stickers in their windows, or simply log on to CEC's website at www.cecmo.com and check out the list of participants.

Each Citizens' member will receive a Co-op Connections card and two key fobs in the mail in May. Once a member has signed the back of the card, it's ready for use at participating businesses.

So while our #1 priority is to keep the lights on, CEC is committed to bringing additional value to our members and the communities we serve. The Co-op Connections program is just another way to accomplish that goal.

That's the cooperative difference.



2010 Annual Report Available

Citizens' 2010 Annual Report is now available online at cecmo.com and in our local offices. It includes financial statements, survey results, statistics and a look back at 2010.

CEC's offices will be closed on May 30 in observance of Memorial Day. Please remember our armed forces who have died serving this great nation.

For electrical emergencies, please call 1-800-286-2251.