

You asked.

We're answering.

This is the fourth in a series of responses to concerns expressed by members.

Member comment:
"Stick to providing just electric service and stay away from other business ventures. The co-op is even into real estate development."

Our response: It has been a number of years since I've heard from a member about our non-electric business activities. It's a topic we don't talk about as much as we should.

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By Mark Pendergast, President and CEO

Without the revenues and other benefits from these business ventures and services, the cooperative's financial picture would not be as strong and our electric rates would be higher.

Our non-electric businesses have been solely responsible for more than \$1 million of net income and cash for our co-op and its members. We've also provided for the delivery of several needed services for residents in the region. Our industrial park property sales have fueled the creation of 75 new local private sector jobs and it's also now the home to Hammond Cold Storage, our largest electric account.

In the mid-1990s, the board of directors made a strategic decision regarding non-electric businesses and services. They wanted to look at opportunities to leverage the cooperative's reputation, skilled employees, knowledge of the local area and access to federal programs in an effort to improve the quality of life for its members. And in doing so there would be opportunities to make a profit with some of these non-electric businesses. These profits would flow back and be paid to the electric members as capital credits.

In 1996 the cooperative purchased 40 acres of land in the Town of Hammond for a new headquarters site and as a future industrial park. One of the criteria for the board in selecting a new building location was to have the opportunity to diversify our revenue sources to include more commercial and industrial business accounts and in the process create new local jobs. A new industrial park would help achieve both of these goals.

This aerial photo from 1999 shows the co-op office and the locations of future businesses.



In 1997 the cooperative moved its headquarters from Baldwin to Hammond acquiring a total of 80 acres. The cooperative then finalized plans on paper to create the 30 acre Hammond ~ St. Croix Business Center, Phase I. In the coming months the cooperative entered into a Tax Increment Financing agreement with the Village of Hammond targeting the development of the industrial park and the sale of property. Terms of the agreement included the cooperative receiving full reimbursement of all infrastructure costs including interest expense incurred to develop the property as well as the guarantee of a significant profit on the sale of land.

Seeing multiple business and real estate opportunities on the horizon they formed the for-profit subsidiary St. Croix Services. The subsidiary would carry out the non-electric business and community interests of the cooperative. Using the subsidiary for these businesses meant there would be a separate set of books and financial accounting for the electric utility and non-electric businesses. The non-electric businesses would have to be financially self supporting. One of the first non-electric services we offered for our membership was the recycling of batteries, bulbs and electronic equipment. We started this program more than 10 years ago and were the first utility in the state to do this.

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In the late 1990s members voted 97 percent in favor at an annual meeting to amend the Articles of Incorporation expanding the purpose of the cooperative to include multiple new business activities. The expanded purposes included the sale of LP and natural gas and the construction and operation of medical monitoring, security, long distance telephone, internet and wireless communication services.

Since the late 1990s the cooperative and/or its subsidiary have had an ownership interest in a variety of business ventures including the industrial park development and the construction of a manufacturing building for resale.

Some of these business ventures have created new private sector jobs or provided a local service when no one else would such as the First Call medical monitoring program for the elderly and homebound. Others like the dial-up internet and L.P. gas businesses provided more competition in the area and lowered costs for members. We continue to offer the WildBlue satellite internet service, which is the only widely available and reliable form of high speed internet for many rural residents.

Every non-electric business venture the cooperative has or continues to operate has been or continues to be profitable for the benefit of all the members of the cooperative. These profits are included in your capital credit allocation each year. Through these business ventures we have boosted our commercial electric energy sales and slowed the required increases in everyone's electric rates.



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