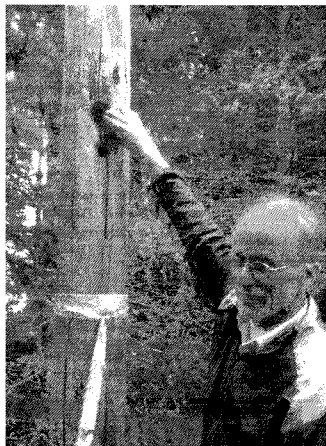


Swan's Island EC Repositions for Success

On a pair of small islands off the coast of Maine, progress is under way. The three full-time employees of Swan's Island Electric Cooperative, along with a dedicated board of trustees and numerous contracted part-time staff, have been making efforts to update a system that went decades with only marginal upkeep. With all materials and contractors a six-mile ferry trip away, improvements are slow, but steady.

"Just about everything we do takes great logistical effort, but we're getting pretty good at it," General Manager Tom McAloon said. "We've made great strides in the last year and a half."

McAloon, a Swan's Island resident and civil engineer with a background in water utilities, stepped into his current position in March 2011, joining the board's efforts to make financial and safety changes at the cooperative. On the financial side, a backlog of unpaid accounts was restricting equity growth on an already cash-strapped system.



McAloon inspects woodpecker damage to a pole flagged for replacement.

"We have four submarine cables to maintain and 450 members," Board President Ed Schwabe said. The island's population is split between full-time residents, mainly lobster fishermen, and seasonal vacationers. "As you could imagine, our electricity rates are high—some two-and-a-half times what they are on the mainland."

Nonetheless, members have been supportive of what are seen as fair billing changes, where missed payments now come with the consequence of disconnected service. An additional financial boon came with a recent call from CFC; Swan's Island EC was able to refinance outstanding debt in the spring, saving more than \$130,000 over the next 16 years.

"The support we've received from CFC has been amazing. They're very proactive," McAloon said. "Their presenting us with the refinancing opportunity was one of the best examples of customer service I've ever seen."

New loans from both CFC and the Rural Utilities Service also have been essential in upgrading a system battered by decades of harsh Atlantic weather. The cooperative is in the early phases of a four-year plan to replace poles and line first erected in the early 1950s. Some poles date back to 1949, when the electric cooperative was first incorporated.

"Winter gales just snap those poles in half," McAloon said.

An increased focus on safety has come with the improvements, and McAloon hired the cooperative's full-time lineman last month after a period of 18 months with only part-time contracted services. Within four years, McAloon and the board plan to have replaced about 30 percent of the system on Swan's Island and neighboring Long Island.

"The challenges we face are universal. If you don't invest in infrastructure and constantly improve your systems, your utility falls apart," McAloon said. "But our members and institutional partners are all pulling on the oars in the same direction. As a result, we're in the process of making our cooperative a stronger organization."

GAO: EPA Rules Need Formal Oversight

In a recent report, the Government Accountability Office (GAO) assessed the consequences of proposed or finalized regulations from the U.S. Environmental Protection Agency (EPA) targeting coal-fired power plants. GAO included four regulations in its study: the Cross-State Air Pollution Rule (finalized August 2011); Mercury and Air Toxics Standards (finalized February 2012); a proposed cooling water intake structures regulation (targeted to be finalized June 2013); and a proposed rule on disposal of coal combustion residuals (no schedule for finalization).

Complying with the rules likely would lead to increases in electricity prices, varying by region. GAO cited one study estimating a range of increases from 0.1 percent (in the Northwest) to 13.5 percent (in parts of the South) as electric utilities take actions to comply.

Price increases could be addressed through state regulatory reviews and other tools, the report said, although little coordination of oversight is currently in place between the Federal Energy Regulatory Commission, U.S. Department of Energy and EPA.

Although the report concluded that EPA actions are unlikely to cause widespread reliability concerns, it did note potential challenges voiced by some industry stakeholders.

"It may be difficult to schedule and complete all retrofits to install controls and to resolve all potential reliability concerns associated with retirements within compliance deadlines," GAO said.

CFC Announces Fiscal Year 2012...

Continued from Page 1

CFC's FY 2012 year-end results include GAAP and non-GAAP adjusted financial measures. Please refer to CFC's annual report on Form 10-K for the fiscal year ended May 31, 2012, as filed with the SEC and as posted on the CFC website, for a discussion of why CFC believes the adjusted measures are useful information in analyzing its financial performance and the reconciliation to the related GAAP measures.

In Brief

Record Reserve Increases | Proved reserves of U.S. oil and natural gas rose in 2010 by the highest amounts ever recorded, according to a U.S. Energy Information Administration (EIA) report. Proved oil reserves increased by 2.9 billion barrels to 25.2 billion barrels, marking the second consecutive annual increase and the highest volume of proved reserves since 1991. Proved natural gas reserves, including natural gas liquids, increased by 33.8 trillion cubic feet (Tcf) to 317.6 Tcf, the 12th consecutive annual increase and the first year U.S. reserves surpassed 300 Tcf.



British Efficiency | The United Kingdom was ranked the most energy efficient among 12 of the world's major economies, according to scorecard results from the American Council for an Energy-Efficient Economy (ACEEE). The United States, which has made "limited or little progress toward greater efficiency at the national level," according to ACEEE, lagged behind in ninth place, ahead of Brazil, Canada and Russia. Nations were scored in four areas: national efforts, buildings, industry and transportation. ACEEE Executive Director Steven Nadel said that despite some notable successes, all countries can learn much from each other.