



*Owned by those  
we serve*

## Information on our wholesale rate increase

### Minnkota Power – Your wholesale energy supplier

Minnkota Power Cooperative provides wholesale electric power to 11 distribution cooperatives located in eastern North Dakota and northwestern Minnesota. These cooperatives, in turn, serve more than 116,000 retail consumers, including many of the region's schools, farms, homes and businesses.

### Why is Minnkota's wholesale rate rising?

Minnkota has experienced significant upward pressure on its rates over the last two years as a result of increased expenses. While there are many factors that impact wholesale rates, the primary drivers behind this increase are new state laws, federal environmental regulations, depressed wholesale power market conditions and increased transmission expenses. *(See back page for details.)*

These increases are occurring while total energy sales have remained relatively flat. As a not-for-profit cooperative, Minnkota recovers the costs of its expenses through the rate it charges to its member systems.

### Is Minnkota a competitive power supplier?

Despite recent rate increases, Minnkota's wholesale rate is competitive among regional power suppliers and well below national averages. Minnkota has made the necessary upgrades to its generation and transmission systems to ensure that you receive the best energy value for your dollar. It is Minnkota's continued pledge to maintain safe, reliable and affordable electricity well into the future.

### What is Minnkota doing to hold the line on costs?

Minnkota has taken decisive action to reduce costs and will continue to look for ways to manage risks. Our long-standing culture of cost concern and control includes:

- Review of capital spending requirements to meet system safety, compliance and reliability.
- Evaluation of staffing needs.
- Implementation of technologies that increase efficiency.

### What can you do to reduce your electric bill?

- Contact your utility to find out about energy efficiency and conservation programs available for your home or business.
- Consider making energy efficiency upgrades and conserve energy when it makes sense for you and your family.
- Contact your elected officials and tell them that future energy plans must balance the economy and the environment, while preserving reliable and affordable electric service.

### Distribution cooperatives

Beltrami Electric	Bemidji, Minn.
Cass County Electric	Kindred, N.D.
Cavalier Rural Electric	Langdon, N.D.
Clearwater-Polk Electric	Bagley, Minn.
Nodak Electric	Grand Forks, N.D.
North Star Electric	Baudette, Minn.
PKM Electric	Warren, Minn.
Red Lake Electric	Red Lake Falls, Minn.
Red River Valley Co-op Power Association	Halstad, Minn.
Roseau Electric	Roseau, Minn.
Wild Rice Electric	Mahnomen, Minn.



### Northern Municipal Power Agency

Bagley, Minn.	Park River, N.D.
Baudette, Minn.	Roseau, Minn.
Fosston, Minn.	Stephen, Minn.
Grafton, N.D.	Thief River Falls, Minn.
Halstad, Minn.	Warren, Minn.
Hawley, Minn.	Warroad, Minn.

## Drivers of Minnkota's wholesale rate increase

### Power plants

- Minnkota is required to add emission control equipment to meet federal Environmental Protection Agency (EPA) standards at the Milton R. Young Station, located 35 miles northwest of Bismarck, N.D.
- More than \$425 million will be spent on the major upgrades, which require the best available control technology for sulfur dioxide and nitrogen oxides emissions.
- The addition of emission control equipment has increased operating and maintenance costs 25 percent (\$13.9 million).
- Fuel costs have increased 18.2 percent (\$10.7 million) since 2009. This is primarily due to the need to remove more overburden to reach new coal seams and increased fuel oil costs.

### Wholesale energy market conditions

- Minnkota has surplus energy in its system due to decreased energy sales and the addition of wind energy to meeting new standards and objectives in Minnesota and North Dakota. Energy that is not needed by the members is sold into a wholesale energy market at variable prices.
- Due mostly to the economic recession, the demand for excess electricity in the market is down, causing a significant price drop. Minnkota is currently selling its excess electricity below the production cost, which causes a revenue shortfall.
- It is believed that this issue will be resolved with added growth in the Minnkota system and the overall recovery of the economy.

### Transmission facilities

- To meet the future energy requirements of its member-owners, Minnkota needs to build a new transmission line from the Young Station to its service area.
- This 260-mile, \$300 million line will improve transmission reliability, as well as transport additional baseload energy from the Young Station.
- Until the line is complete in 2013, Minnkota is paying a tariff to use an alternate line to deliver energy to its service area.

Total expenses in 2011: \$331.6 million  
\$97.3 million increase since 2009

Expense	Increase since 2009	Reason
Power plant fuel \$8.9 million	\$10.7 million	Coal mining and fuel oil costs have increased.
Power plant operation and maintenance \$55.7 million	\$13.9 million	The addition of emission control equipment adds to yearly operating and maintenance costs.
Debt payment \$75.8 million	\$17.0 million	Minnkota has taken out loans to pay for environmental requirements and to expand its transmission system.
Transmission \$26.4 million	\$9.2 million	Minnkota requires a transmission line to deliver baseload energy to its service area. Until that line is complete, Minnkota pays a tariff to use an alternate line.
Surplus energy and the wholesale energy market \$104.6 million	\$45.5 million	Minnkota has surplus energy in its system due to decreased energy sales and the addition of wind energy. This excess energy is sold into a down power market below the cost of production.
General/Administrative \$10.2 million	\$1.0 million	Inflationary increases have been experienced on materials and services that are purchased in the administrative area.