



2015

PKM ANNUAL REPORT



Plan now to attend
PKM Electric Cooperative's
Annual Meeting

Tuesday, April 5, 2016
Warren-Alvarado-Oslo High School
Doors open at 4:30 p.m.



PKM
Electric Cooperative

PKM NEWS PUBLICATION - MARCH/APRIL 2016

ANNUAL MEETING NOTICE



TUESDAY, APRIL 5, 2016
Warren-Alvarado-Oslo High School Auditorium

The annual meeting of the members of PKM Electric Cooperative, Inc., will be held in the auditorium of Warren-Alvarado-Oslo High School in the city of Warren, Minn., at 5:40 p.m., Tuesday, April 5, 2016, to take action on the following matters:

- 1. Reports of officers, directors and committees;**
- 2. The election of three (3) directors for terms of three years each (only one director may be elected from any one county);**
- 3. Such other business as may properly come before the meeting or any adjournments thereof.**

March 22, 2016

Gordon Bernstrom, Secretary
*PKM Electric
Cooperative, Inc.
Board of Directors*

| County | Nominations made by Committee on Nominations 3-year terms | Nominations made by petition |
|----------|---|---------------------------------|
| Polk | Ron Reitmeier Fisher | NONE |
| Kittson | Mark Hatton Drayton | NONE |
| Marshall | Tom Woinarowicz Stephen | NONE |

Note: Nominations may be made from the floor at the meeting. Candidates will be provided time to address the members prior to voting.

Electrical Inspectors

Kittson and Marshall Counties

Scott Stenvik
16409 State Hwy 1 N.W.
Thief River Falls, MN 56701
218-689-5406

Polk County

Bryan Holmes
218-686-1413

March/April 2016

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Office hours: 8 a.m. to 4:30 p.m.
Monday through Friday
218-745-4711 or 800-552-7366

Next Board Meeting: March 29, 2016

Officers and Directors

President Ronald Reitmeier
Vice President Tom Woinarowicz
Secretary-Treasurer Gordon Bernstrom
Directors Mike Beaudry, Jeff Folland,
Steve Goodwin, Jerod Hanson,
Wayne Malm and Blake Owens

Manager Charles Riesen
Editors Deb Copp, Jeff Rustad
and Chelsy Davey

Electrical after-hours emergencies

218-745-4711 or 800-552-7366
e-mail: infopkm@minnkota.com
Visit our website at www.pkmcoop.com

ANNUAL MEETING MINUTES



Annual meeting held March 31, 2015

The annual meeting of the stockholders (hereinafter referred to as members) of PKM Electric Cooperative, Inc., was held at the High School Auditorium in the city of Warren, Minn., at 5:40 p.m. on March 31, 2015, pursuant to the provisions of the bylaws of the cooperative applying to notice of meeting.

The meeting was called to order by Ronald Reitmeier, president of the cooperative, who presided, and Gordon Bernstrom, secretary of the cooperative kept the minutes of said meeting.

After calling the meeting to order, the president called on Secretary Bernstrom for the Pledge of Allegiance and invocation.

The president called on the manager, Charles Riesen, to introduce guests and visitors from other organizations in attendance.

The secretary then presented and read a copy of the notice of the meeting, together with the proof of mailing thereof to all members of the cooperative and such statements, ballots and proof were ordered to be annexed to the minutes of the meeting.

The attendance of a sufficient number of members to constitute a quorum was established by a register showing the members present at said meeting, and verified by the president and secretary of the cooperative. The secretary stated that at least 129 members were present in person and that there were 2,853 accepted members in the cooperative, which established a quorum under Article II, Section 5 of the bylaws of the cooperative. The secretary was directed to file a registration for the establishment of a quorum and the same was, upon motion duly made, seconded and passed, was made a part of the minutes.

Since the minutes of the last meeting of the members held on April 1, 2014, were included as a part of the annual report mailed

to members prior to the meeting and distributed to members registering at the annual meeting, a motion was duly made, seconded and passed that the reading of said minutes be dispensed with and that they be approved as distributed.

The annual report of the president was presented.

Michael Schmidt, assistant manager, presented the annual report of the treasurer.

The annual report of the manager was presented.

Upon conclusion thereof, all reports heretofore presented were upon motion duly made, seconded, carried and accepted by the membership.

The president called on the manager to read the nominating committee report. Said report disclosed the nominations of the following members for the board of directors:

POLK COUNTY

(For a 3-year term)

Blake Owens

Warren, Minnesota

KITTSO COUNTY

(For a 3-year term)

Gordon Bernstrom

Lancaster, Minnesota

MARSHALL COUNTY

(For a 3-year term)

Wayne Malm

Argyle, Minnesota

The nominating committee consisted of the following eight members:

Chairman Jeff Chwialkowski, *Argyle*
Tim Peterson, *Lancaster*
Secretary Bob Wimpfheimer, *Warren*
Mark Wiese, *Humboldt*
Paul Aakre, *Angus*
Ken Johnson, *Argyle*
Dan Jaszczak, *Hallock*
Chris Urbaniak, *Argyle*

The committee finalized their decision during a meeting held at the cooperative

headquarters on Thursday, Feb. 26, 2015.

The report of the committee on nominations was ordered to be certified by the secretary and annexed to the minutes of the meeting.

The president called on the cooperative's legal counsel to conduct the election. The attorney declared that nominations for the directors from the floor would be received by county. There being none, upon motion duly made, seconded and approved, it was ordered that nominations be closed. Those directors nominated and having no opposition were after motion duly made and seconded, declared elected, by virtue of the nominating ballot becoming the elective ballot.

The president stated that microphones have been placed in aisles of the auditorium so that members wishing to speak may be heard by all in attendance.

The president called for any unfinished business. Having determined that there was no unfinished business to be conducted at the annual meeting, he called for new business or discussion. A member-owner addressed the annual meeting of his concern on the wind power surcharge.

The manager responded to his question with the wholesale market being the determining factor because of the difference in cost between wind energy and surplus energy.

There were no additional questions from members attending the meeting.

The manager thanked the members for their questions and the opportunity to respond.

The president thanked the members for their support of the cooperative and attending the annual meeting. He went on to ask those attending if they had ideas for improving the meeting. The results of the informal survey were inconclusive.

Since the CEO of Minnkota Power Cooperative was in attendance, the president called on Robert McLennan to speak briefly about Minnkota and power supply.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously carried, the meeting was adjourned.

PRESIDENT & MANAGER'S REPORT

What a difference a year makes



Last year, while celebrating the 75th anniversary of your electric cooperative, we told

of record energy sales and record margins for 2014. When we

recap 2015 at this year's annual meeting, you will notice a stark contrast in the financial results.

Most of our member-owners are either actively engaged in farming or are tangentially tied to agriculture. Given our climate extremes, good years and those less so are quite common. During 2015 energy sales nose-dived more than 12 percent and revenue was reduced more than \$1 million from 2014. The 2015 budget provided for a 3.5 percent rate increase in April to recover the 5 percent increase in wholesale power. Faced with increased costs and declining sales, the board of directors was unable to reach agreement on a rate increase and the deficits continued to mount. Late season grain conditioning and freezing beet piles in November and December turned energy sales around but that only narrowed the operating loss to a negative \$420,624.

Even faced with this poor operating performance, your cooperative is on solid financial footing. With good investments, solid management of reserves and some good fortune, nonoperating margins were able to offset the operating loss and achieve a bottom line of \$12,384. Not the sort of thing that is inspiring to our "bankers" but a demonstration that a well-capitalized cooperative does not have to view every setback as a crisis.

During 2015 the board of directors realized the fixed charge needed to be adjusted and another increase in wholesale power scheduled for 2016 would require a rate increase in February 2016. The board of directors has authorized a renowned consultant to perform a cost of service study during 2016 to determine

that no rate classes are subsidizing others. We are committed to seeing that costs are allocated fairly.

In addition to 24/7, 365 days a year (including the extra day this year) service, your cooperative provides:

- Incentives for energy efficiency projects, paying out \$74,885 in 2015 and \$68,927 in 2014.
- Low-income weatherization in the amount of \$10,161 in 2015 and \$7,200 in 2014.
- Operation Round Up made possible 14 \$1,000 educational scholarships in 2015 and 24 in 2014 to young adults of member-owners and, in several instances, members.
- SmartHub continues to attract member-owners as a means to track energy usage and communicate with PKM.
- More than 25 percent of member-owners use ACH to pay the electric bill.
- We continue with electric heating rebates.
- Zero percent interest loans for appliances and electric heating improvements, including ground source heat pumps.
- In 2015 PKM retired \$372,251.05 in capital credits.

We continue to monitor and be concerned about the EPA's "Clean Power Plan" (CPP). The recent stay issued by the Supreme Court can set back the effective date by maybe two years, according to people familiar with such things. Minnkota Power Cooperative, our wholesale power provider, is investing resources to understand the requirements of the plan so they can make the best decisions for future power supply.

We encourage you to attend your annual meeting. Director Jerod Hanson has decided not to seek another term and the nominating committee has nominated Mark Hatton, Tom Woinarowicz and Ron Reitmeier.



Ronald Reitmeier
President



Charles Riesen
Manager

CURRENT BOARD OF DIRECTORS



Ronald Reitmeier
President
Fisher, MN
Term expires April 2016



Tom Woinarowicz
Vice President
Stephen, MN
Term expires April 2016



Gordon Bernstrom
Secretary/Treasurer
Lancaster, MN
Term expires April 2018



Mike Beaudry
Director
Alvarado, MN
Term expires April 2017



Jeff Folland
Director
Halma, MN
Term expires April 2017



Steve Goodwin
Director
Angus, MN
Term expires April 2017



Jerod Hanson
Director
Hallock, MN
Term expires April 2016



Wayne Malm
Director
Argyle, MN
Term expires April 2018



Blake Owens
Director
Warren, MN
Term expires April 2018

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Core Values

- Integrity
- Accountability
- Commitment to Community
- Innovation

2016

POWER PLANT TOUR

Join us June 22-23

Sign up today for our two-day power plant tour offered by PKM Electric Cooperative. An exceptional travel bargain at \$70 per person or \$110 per couple, these tours include motor coach travel, meals and lodging at the Baymont Inn & Suites in Mandan, N.D., where you will be treated to a banquet dinner. The tour includes a visit to Minnkota Power's offices in Grand Forks, N.D., tours of the lignite-fueled Milton R. Young Station near the town of Center, N.D., and a look at the Ashtabula Wind Energy Center near Valley City, N.D. It's guaranteed to be fun and informational!



Power Plant Tour Registration Form

☐ Please reserve ____ seats for the power plant tour June 22-23. Enclosed is a check for \$70 per person or \$110 per couple.

Names of participants _____

Address _____ Telephone number _____

More tour information will be sent to participants prior to tour date. Members who have been on the tour before will be put on a waiting list. MAIL TO: PKM Electric Cooperative, PO Box 108, Warren, MN 56762

Apply now for a PKM scholarship!

- Individuals in PKM's service area who are members of the cooperative, their spouses or children.
- Applicants planning to attend an accredited postsecondary educational institution in pursuit of their initial postsecondary degree. These institutions could include technical colleges, universities or colleges.
- Eligible applicants include high school seniors, active college

Applications available at local high schools, the PKM office or can be downloaded from our website, www.pkmcoop.com.

students enrolled in an accredited institution in pursuit of their initial degree and nontraditional students who are initiating or resuming their education in pursuit of their initial postsecondary degree. Nontraditional students include "older than average students" or individuals who did not begin a program after high school. This could also include students whose first postsecondary degree was interrupted.



ENERGY

SAVINGS AT HOME



2016 PowerSavers Residential Incentives for Members

PowerSavers incentives, criteria and guidelines for resident and business members can be found at www.pkmcoop.com or by calling 218-745-4711 or 800-552-7366.



| Equipment | Specifications | Rebate |
|--|---|------------------------------------|
| CFL bulb | Replace incandescent bulb with CFL. ENERGY STAR® recommended. | \$2/bulb |
| LED Screw-In Bulb | 40-60W equivalent incandescent. ENERGY STAR recommended. | \$4/bulb |
| LED Screw-In Bulb | 65W or greater equivalent incandescent. ENERGY STAR recommended. | \$8/bulb |
| LED Fixture | Complete fixture or replacement kit. ENERGY STAR recommended. | \$8/install |
| LED Outdoor Fixture | LED Outdoor Fixture Wattage of <40 Watts. Dusk-to-dawn operation required. DesignLights™ Consortium or ENERGY STAR recommended. | \$20/fixture |
| LED Outdoor Fixture | LED Outdoor Fixture Wattage of >40 Watts. Dusk-to-dawn operation required. DesignLights™ Consortium or ENERGY STAR recommended. | \$40/fixture |
| Clothes Washer | Must be ENERGY STAR approved. | \$50/unit |
| Clothes Dryer | Must be ENERGY STAR approved. | \$50/unit |
| Refrigerator or Freezer | Must be ENERGY STAR approved. | \$25/unit |
| Remove & Recycle Old Refrigerator or Freezer | Recycling receipt required. Form online in Residential Incentives Application. | \$25/unit |
| Engine Block Heater Timer | | \$10/unit |
| Electric Water Heater | Minimum 80-gallon total capacity, EF ≥0.91. Must be controlled under the utility's load management program. | \$150/unit |
| Programmable Thermostat | | \$25/unit |
| Tune-Up for Central AC | Not valid on window AC units. Checklist on form must be completed with application. | \$25/unit |
| Tune-Up for Air-Source Heat Pump or Mini-Split Ductless Air-Source Heat Pump | Checklist on form must be completed with application. | \$25/unit |
| Supplemental Heating Source Air-Source Heat Pump | Must modulate to allow ENERGY STAR-rated Air-Source Heat Pump to operate down to 5° F and be on load control. | \$500/unit |
| Air-Source Heat Pump | 14 SEER, 8.2 HSPF | \$400/unit |
| Air-Source Heat Pump | 15 SEER, 8.5 HSPF | \$500/unit |
| Furnace (Air Handler) with ECM Blower | Furnace with an ECM Blower | \$100/unit |
| Mini-Split/Ductless Air-Source Heat Pump | 15 SEER | \$500/unit |
| Ground-Source Heat Pump Open Loop <135,000 BTUH @ 59° F | 16.2 EER/3.6 COP - maximum incentive \$2,500/home | \$200/ton |
| Ground-Source Heat Pump Closed Loop <135,000 BTUH @ 77° F | 14.1 EER/3.3 COP - maximum incentive \$5,000/home | \$400/ton |
| Air Sealing | Pre- and post-blower test results required. | 30% of sealing cost, max. \$300 |
| Attic Insulation & Air Sealing | Must include air sealing. Improved from R-30 or less to R-50. Attic knee walls insulated to a minimum of R-25 up to R-30. | 30% of sealing cost, max. \$500 |
| Wall Insulation | Wall insulation improved from R-5 or less to R-11 or higher. Attic knee walls excluded. | 30% of insulation cost, max. \$500 |

ABOUT

The seminar is a **NO COST** seminar for k-12 teachers to attend.

This seminar is designed to provide teachers with a broader understanding of the lignite coal industry and the important role it plays in providing electricity to consumers, farmers and businesses in North Dakota, Minnesota, South Dakota, Montana and Iowa.

The seminar includes discussions on how lignite coal is mined and converted into energy, and the economic impact of the industry on the region. It also includes a tour of a lignite mine and a lignite-based power plant.

The seminar is being held in cooperation with Bismarck State College, the Center for Economic Education at the University of North Dakota, Minot State University and North Dakota State University.

Teachers selected to attend the seminar will be required to send a \$60 deposit check to hold their place, which will be returned to them when checking in on the first day of the seminar.

For more information visit
<http://www.lignite.com/teachers>

MEALS, LODGING & TRANSPORTATION

During the seminar, free lodging will be provided in a Bismarck State College dorm (two people per room). Meals will be provided. Transportation will be provided by the Lignite Energy Council for the "Coal Country" tour.



YOU'RE INVITED!

You are invited to the

2016 Lignite Teachers Education Seminar: Energy, Economics & Environment

at the **National Energy of Excellence** on the campus of **Bismarck State College** Bismarck, N.D. on

June 13th - 16th, 2016

Applications will be accepted until the seminar is full or until April 15, 2016, whichever occurs first (please note that the seminar could be full prior to this date). The \$60 deposit check is required to reserve your spot in the seminar. Your check will be returned to you when you check in at the seminar on June 13, 2016.

Should applications outnumber the spots available, preference will be given based on the following criteria:

- 4th grade through 12th grade teachers
- Science, math or social studies as a primary subject matter
- Career counselors

CREDIT INFORMATION



Two Professional Development Graduate credits in economics will be available through University of North Dakota, science through Minot State University, or education through North Dakota State University. To receive the credits, teachers must attend ALL portions of the seminar and prepare a lesson plan demonstrating how they could use the seminar information and materials in the classroom.

APPLY @ WWW.LIGNITE.COM/TEACHERS

TAKE-HOME MATERIALS

Teachers attending the seminar will receive electronic copies of each presentation, examples of lesson plans, classroom exercises, coal and ash samples, audiovisual materials, and information on the facilities they tour.

If you need to complete a hard-copy application form, please contact:
Kay LaCoe | Lignite Energy Council
PO Box 2277
Bismarck, ND 58502
701.258.7117 | 800.932.7117

A ZERO EMISSIONS COAL PLANT?

N.D. researchers optimistic about future of the Allam Cycle

The initial reaction is often the same: It's too good to be true. Yet it is hard to deny the potential of a next-generation coal-based power plant that North Dakota researchers say will produce almost no atmospheric emissions – eliminating the need for a chimney altogether.

The Allam Cycle only exists on paper today, but a small test plant in Texas is scheduled to be operational in 2016 to prove the concept. At the same time, North Dakota's electric utility industry is partnering with top researchers in the state to begin testing and development within its own borders on lignite coal.

Dr. Mike Jones, vice president of research and development for the Bismarck-based Lignite Energy Council, called the Allam Cycle one of the most exciting and promising projects he's seen in more than 35 years of energy-related research.

"This is a paradigm shift in how we use coal," Jones said. "We still have questions, but the potential is there."

The key difference between currently operating power plants and the Allam Cycle is that CO₂ is not viewed as a waste product to be captured at the end of the process. Instead, CO₂ would be the primary ingredient driving the turbine generator to produce electricity.

In North Dakota's case, lignite coal would be converted into a synthetic natural gas (syngas) using a combination of heat and pressure. Oxygen diluted with CO₂ would then be added to the syngas combusted at high pressure with the exhaust from this combustion used to run the turbine.

"We're going to have a very hot, high-pressure stream that's basically going to be water and CO₂," Jones explained. "So it will actually be supercritical CO₂ that drives the turbine."

This working fluid is then cooled through a heat exchanger, which separates the water and creates a nearly-pure CO₂ stream. The CO₂ is pressurized and most of the stream is circulated back to the combustor to begin the cycle again.

The remaining CO₂ stream is placed in a pipeline, which could be used for enhanced oil recovery in the Bakken oil formation on the western side of the state.

"I think there is a tremendous opportunity to change the equation both in terms of the environmental profile and the cost profile with this project," Jones said. "We'd like to see this thought of as not just an electron generator, but a CO₂ generator. The CO₂ isn't a waste product, but a product that has value."

Cost competitive

While the potential environmental performance is obvious, Jones said an Allam Cycle plant is also competitive in the areas of cost and efficiency. The estimated cost of energy is currently about 6 cents per kilowatt-hour (kWh), which would be comparable to the cost of a new fossil fuel facility without carbon capture. If the CO₂ was sold for enhanced oil recovery, the price could drop to 5 cents per kWh, Jones said.

Capital construction costs would also be lower because the plant would be about one-fifth the size of a standard plant operating today. Each unit is projected to produce about 300 megawatts (MW) at efficiency levels above current natural gas or coal-based plants.

The Allam Cycle is not a retrofit technology and cannot be applied to existing plants. Therefore, Jones said, it is not a solution for compliance with the U.S. Environmental Protection Agency's (EPA) Clean Power Plan, which requires existing coal plants in North Dakota to cut their CO₂ emissions rate 45 percent by 2030.

It does, however, provide a path forward for the future use of North Dakota's abundant coal resources. Researchers estimate that more than 800 years' worth of recoverable coal reserves are still available.

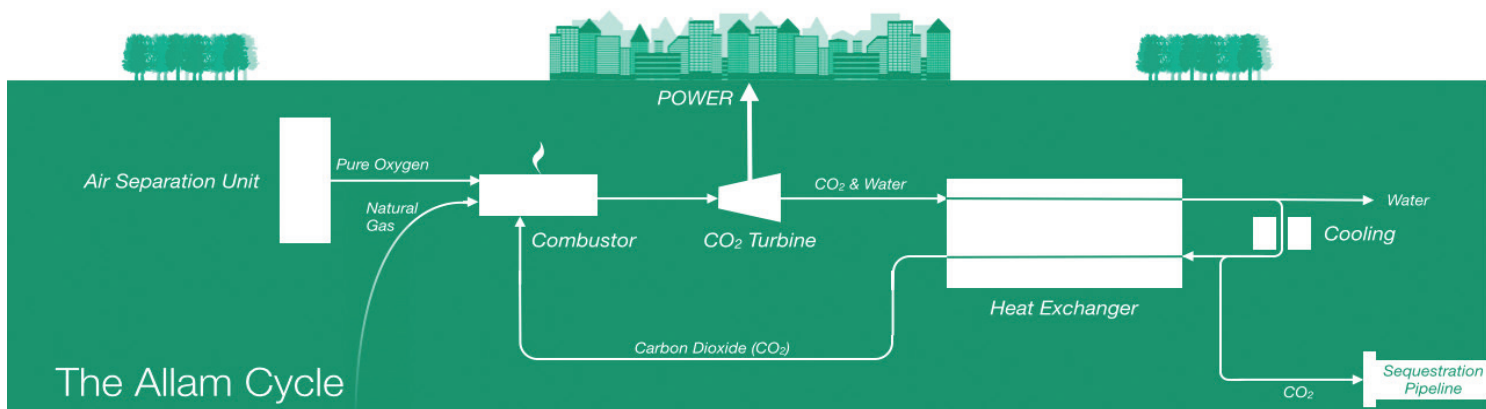
Funding forward

The Allam Cycle was invented by 8 Rivers Capital and named for Rodney Allam, chief technologist and partner at the North Carolina firm. In addition to 8 Rivers, other project participants include the Energy and Environmental Research Center at the University of North Dakota (Grand Forks), Basin Electric Power Cooperative (Bismarck) and Allele and its associated subsidiaries (Duluth, Minn.).

In December, the participants received nearly \$1.5 million in funding from the North Dakota Industrial Commission toward the \$3.2 million project total to further the development of the Allam Cycle technology for lignite coal.

Jones estimates that if all projects and testing go well, a decision on the construction of a full-scale plant could be made in the mid-2020s. The largest remaining questions surround material development that can withstand the high-pressure, high-temperature environment. But Jones said those issues haven't stalled progress.

"We have yet to find anything that says we can't make this work," Jones said.





4 WAYS TO PAY YOUR BILL

1 IN PERSON
Located in Warren, Minn., at 406 North Minnesota St. or utilize our drop-box outside the building during non-business hours.

3 SMARTHUB
Convenient account access where you can manage payments, check your usage and receive emails from PKM when your bill has been calculated.

2 ACH (Automated Clearing House)
A monthly bank draft directly from your checking account taken on the 10th of every month.

4 BY MAIL
Send the payment in the envelope provided with your monthly statement to PKM Electric, Inc. P.O. Box 108, Warren, MN 56762.



smart**hub**

The Center of Customer Engagement



PKM Electric Cooperative launched SmartHub to our members in March of 2015. This new feature is available on your mobile device by downloading the FREE app or visiting pkmcoop.smarthub.coop online. We are excited to offer this service to our members.



pkmcoop.smarthub.coop



Please contact us at 218.745.4711 with any questions.

ELECTRIC HEATING REBATES



Save money in your home!

HOMEOWNERS ADDING NEW OFF-PEAK HEATING SYSTEMS QUALIFY FOR THESE REBATES.

Take advantage of these rebates on installation of an off-peak electric heating system!

- \$20/kW rebate for the installation of a qualifying electric heating system that is on off-peak.

- Air-source heat pump incentive is \$100/ton – heating mode must be controlled on off-peak.
- Ground-source heat pump incentive is \$200/ton – heating mode must be controlled on off-peak.
- Equipment must be new and off-peak systems must have a qualified backup.
- Rebate check will be issued after a visit from a PKM Electric technician.
- Maximum incentive per off-peak meter is \$600.



Contact our Energy Services Department for details at 218-745-4711 or 800-552-7366.

PKM ELECTRIC COOPERATIVE POLITICAL LEADERS

Federal legislators

President Barack Obama
The White House
1600 Pennsylvania Ave. NW
Washington, D.C. 20500
www.whitehouse.gov
president@whitehouse.gov
202-456-1111

Senator Al Franken
320 Hart Senate Office Building

Washington, D.C. 20510
www.franken.senate.gov
202-224-5641
Fax: 202-224-0044

Senator Amy Klobuchar
302 Hart Senate Office Building
Washington, D.C. 20510
www.klobuchar.senate.gov
202-224-3244
1-888-224-9043 (Minnesota office)
Fax: 202-228-2186

Congressman Collin Peterson
2109 Rayburn House Office Building
Washington, D.C. 20515
www.collinpeterson.house.gov
202-225-2165
Fax: 202-225-1593

State of Minnesota legislators

Governor Mark Dayton
75 Rev. Dr. Martin
Luther King Jr. Blvd.
Capitol Building, Room 130
St. Paul, MN 55155-1606

800-657-3717
mark.dayton@state.mn.us

Senator LeRoy Stumpf
75 Rev. Dr. Martin
Luther King Jr. Blvd.
Capitol Building, Room 122
St. Paul, MN 55155-1606
651-296-8660
Email: Use mail form

Representative Dan Fabian
307 State Office Building
100 Rev. Dr. Martin
Luther King Jr. Blvd.

St. Paul, MN 55155
651-296-9635
888-727-0979
rep.dan.fabian@house.mn

Representative Deb Kiel
337 State Office Building
100 Rev. Dr. Martin
Luther King Jr. Blvd.
St. Paul, MN 55155
651-296-5091
800-339-9041
rep.deb.kiel@house.mn

STATEMENT OF OPERATIONS



Gordon Bernstrom
Secretary/Treasurer

For the years
ended
December 31,
2015, and 2014.
Minnesota
87 Marshall
PKM Electric
Cooperative, Inc.
Warren, Minn.

OPERATING REVENUE:

| | | |
|-------------------------|----------------------|----------------------|
| Electric | \$ 13,335,112 | \$ 14,386,488 |
| Other | 85,708 | 43,077 |
| Total operating revenue | <u>\$ 13,420,820</u> | <u>\$ 14,429,565</u> |

OPERATING EXPENSES:

| | | |
|-------------------------------------|----------------------|----------------------|
| Cost of power | \$ 9,398,327 | \$ 9,281,157 |
| Distribution – operation | 502,990 | 378,555 |
| Distribution – maintenance | 713,211 | 707,107 |
| Customer accounts | 251,423 | 257,187 |
| Customer service and informational | 192,501 | 174,846 |
| Energy conservation (Minn. mandate) | 61,547 | 114,124 |
| Administrative and general | 1,253,228 | 962,361 |
| Depreciation | 877,640 | 849,603 |
| Interest on long-term debt | 583,174 | 598,392 |
| Tax expense – other | 629 | 4,489 |
| Other income deductions | 6,775 | 7,595 |
| Total operating expenses | <u>\$ 13,841,445</u> | <u>\$ 13,335,416</u> |
| OPERATING MARGIN | <u>\$ (420,625)</u> | <u>\$ 1,094,149</u> |

NONOPERATING MARGIN:

| | | |
|-------------------------------------|-------------------|---------------------|
| Nonoperating margins – other | \$ 235,070 | \$ 88,869 |
| Interest income | 108,415 | 104,183 |
| Other Cooperative capital credits | 90,033 | 138,491 |
| Total nonoperating margin (deficit) | <u>\$ 433,518</u> | <u>\$ 331,543</u> |
| NET MARGIN | <u>\$ 12,893</u> | <u>\$ 1,425,692</u> |

BALANCE SHEET



Assets

ELECTRIC PLANT:

| | | |
|-------------------------------|---------------|---------------|
| In service | \$ 32,330,961 | \$ 30,915,882 |
| Under construction | 305,048 | 1,033,076 |
| Total electric plant | 32,636,009 | 31,948,958 |
| Less accumulated depreciation | (11,410,608) | (11,008,359) |
| Electric plant – net | \$ 21,225,401 | \$ 20,940,599 |

OTHER PROPERTY AND INVESTMENTS:

| | | |
|--------------------------------------|--------------|--------------|
| Investments in associated companies | \$ 968,972 | \$ 954,125 |
| Other investments | 1,275,658 | 1,206,846 |
| Total other property and investments | \$ 2,244,630 | \$ 2,160,971 |

CURRENT ASSETS:

| | | |
|----------------------------------|--------------|--------------|
| Cash – general | \$ 733,989 | \$ 1,253,663 |
| Temporary investments | 1,000,000 | 1,350,000 |
| Accounts receivable | 1,487,768 | 1,688,146 |
| Materials and supplies | 691,143 | 469,407 |
| Prepayments | 69,308 | 162,314 |
| Other current and accrued assets | 4,944 | 2,330 |
| Total current assets | \$ 3,987,152 | \$ 4,925,860 |

DEFERRED DEBITS

| | | |
|--------------|---------------|---------------|
| TOTAL ASSETS | \$ 27,600,224 | \$ 28,178,248 |
|--------------|---------------|---------------|

Equities and Liabilities

EQUITIES:

| | | |
|----------------------------|---------------|---------------|
| Memberships | \$ 18,950 | \$ 18,855 |
| Patronage capital | 7,869,520 | 6,454,527 |
| Other margins and equities | 5,598,812 | 6,046,485 |
| Current year margins | 12,893 | 1,425,692 |
| Total equities | \$ 13,500,175 | \$ 13,945,559 |

LONG-TERM DEBT

| | | |
|--|---------------|---------------|
| | \$ 11,679,413 | \$ 12,525,455 |
|--|---------------|---------------|

CURRENT LIABILITIES:

| | | |
|---------------------------|--------------|--------------|
| Accounts payable | \$ 1,208,871 | \$ 1,161,880 |
| Customers deposits | 15,250 | 14,950 |
| Other current liabilities | 1,196,515 | 530,404 |
| Total current liabilities | \$ 2,420,636 | \$ 1,707,234 |

DEFERRED CREDITS (Consumers Energy Prepayments)

| | | |
|--|------|------|
| | \$ 0 | \$ 0 |
|--|------|------|

TOTAL EQUITIES AND LIABILITIES

| | | |
|--|---------------|---------------|
| | \$ 27,600,224 | \$ 28,178,248 |
|--|---------------|---------------|

We invite
you to
study the
financial
statements
in this
report.



EMPLOYEE AND STAFF DIRECTORY



Nolan Buchner
Journeyman Lineman



Rick Bye
Operations Manager



Deb Copp
Executive Assistant



Chelsy Davey
Receptionist/Cashier



Chris Derosier
Journeyman Lineman



Judy Hennessy
GL Accountant



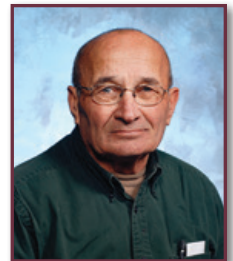
Matt Kazmierczak
Apprentice Lineman



Nolan Knott
Apprentice Lineman



Joe Marcotte
Subline Crew Foreman



Fred Nicholls
Custodian/Warehouse



Jim Norland
Journeyman Lineman



Karen Olson
Plant Accountant



Ben Pahlen
Apprentice Lineman



Jeff Rustad
Member Service Manager



Mike Schmidt
Assistant Manager



Scott Slusar
Subline Crew Foreman



Trevor Snare
Journeyman Lineman



Jeremy Treitline
Customer Service Representative

PKM Electric's advisors

Randy Vetter
Engineer
MEI Engineering Inc.
Fargo, N.D.

Brian Rokke
Attorney
Rokke, Aandal & Associates, PLLP
Warren, Minn.

PROJECT GREENTOUCH EVENT



Help add your Green Touch to our state parks!

Who: PKM Electric Cooperative, Inc., members who want to lend a hand (all ages welcome).

What: Project GreenTouch is a cooperative program to help spruce up our state parks.
(For example: planting trees, cleaning up trails and helping build picnic shelters)

Where: Lake Bronson and Old Mill state parks

When: Saturday, May 7 – 10 a.m. to 3 p.m.

Help beautify Minnesota. This marks the 16th year of a partnership between the Touchstone Energy[®] cooperatives and Minnesota state parks. GreenTouch Day, and the sponsorship of Minnesota State Parks and Trails, fits well with the Touchstone Energy commitment. During the past 15 years, Minnesota's Touchstone Energy cooperatives have organized 8,543 volunteers to donate more than 30,600 hours and provided funds to help publish the *Guide to Minnesota State Parks and Trails*. "We're very grateful to Minnesota's Touchstone Energy cooperatives for their longstanding commitment to Minnesota state parks," said Erika Rivers, director of Minnesota State Parks and Trails. "All those extra helping hands are much needed and appreciated."

Come join us! Lunch will be served! Each family who volunteers will receive a free park sticker for the year. Bring work gloves and rakes! If you would like to volunteer, call us at 218-745-4711 or 800-552-7366.

Marathon[®]

*Hot water
and savings
for life!*

PKM Electric Cooperative members can save on their electric bills when they purchase an 85- or a 105-gallon Marathon water heater and hook it up to the off-peak cycled water heater program. Not only will you receive \$150 rebate, but you'll also save a minimum of \$132 per year off your electric bill with our off-peak cycled program.

**For information and pricing,
call PKM Electric Cooperative
218-745-4711**



Northern Safety & Security is now



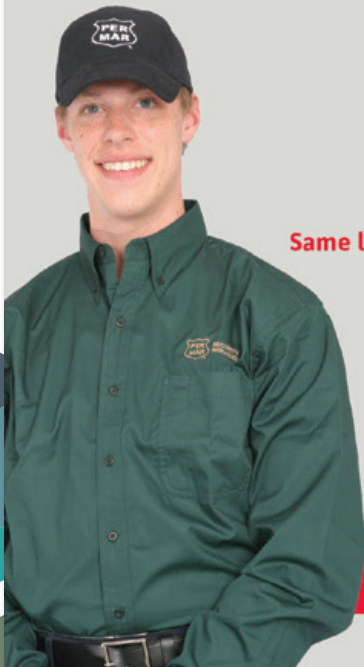
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ANNUAL MEETING AGENDA

TUESDAY, APRIL 5, 2016

4:30 p.m.

- Doors open for member registration
- Movies and day care provided by PKM
- Kids entertainment..... Jeffrey Salvesson
Magician and Balloon Art

5 p.m.

- Meal served cafeteria style by PKM directors

5:35 p.m.

- Door prizes drawn

Business Meeting

5:40 p.m.

- Meeting Called to Order.....President Ronald Reitmeier
- InvocationSec./Treas. Gordon Bernstrom
- Introduction of Guests.....Manager Charles Riesen

Business Session

- Notice of Annual Meeting
- Establishment of Quorum
- Reading of 2015 Meeting Minutes Gordon Bernstrom
- President's Report Ronald Reitmeier
- Treasurer's Report Mike Schmidt
- Manager's Report Charles Riesen
- Nominating Committee Report Charles Riesen
- Election of Directors
- Unfinished Business
- New Business
- Reading of Election Results
- Adjournment of Business Meeting
- Prize Drawings..... Must be present to win



Enter to win the grand prize
drawing for a Windows Surface 3
with keyboard cover!

**Registration, meeting and dinner
will be at the Warren-Alvarado-Oslo
High School Auditorium and cafeteria
located near the west entrance.**



***Celebrating more than 75 years as
your rural electric cooperative!***