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.
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

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

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

March/April 2016

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

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

Next Board Meeting: March 29, 2016

PKM News • March/April 2016

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

Electrical Inspectors
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 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

**KITTSON 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 Urbaniaik, 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.

The manager thanked the members for their attendance.

There were no additional questions from members attending the meeting.

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

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.
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.
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

Core Values

- Integrity
- Accountability
- Commitment to Community
- Innovation
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 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.

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

  *Deadline: April 15, 2016*
## 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](http://www.pkmcoop.com) or by calling 218-745-4711 or 800-552-7366.

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

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.

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
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 Allete 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.
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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.

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

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

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.

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.

Please contact us at 218.745.4711 with any questions.
ELECTRIC HEATING REBATES

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

- 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.

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

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
651-296-8660
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

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

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Save money in your home!

Take advantage of these rebates on installation of an off-peak electric heating system!
<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUE:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric</td>
<td>$ 13,355,112</td>
<td>$ 14,386,488</td>
</tr>
<tr>
<td>Other</td>
<td>85,708</td>
<td>43,077</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>$ 13,420,820</td>
<td>$ 14,429,565</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of power</td>
<td>$ 9,398,327</td>
<td>$ 9,281,157</td>
</tr>
<tr>
<td>Distribution – operation</td>
<td>502,990</td>
<td>378,555</td>
</tr>
<tr>
<td>Distribution – maintenance</td>
<td>713,211</td>
<td>707,107</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>251,423</td>
<td>257,187</td>
</tr>
<tr>
<td>Customer service and informational</td>
<td>192,501</td>
<td>174,846</td>
</tr>
<tr>
<td>Energy conservation (Minn. mandate)</td>
<td>61,547</td>
<td>114,124</td>
</tr>
<tr>
<td>Administrative and general</td>
<td>1,253,228</td>
<td>962,361</td>
</tr>
<tr>
<td>Depreciation</td>
<td>877,640</td>
<td>849,603</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>583,174</td>
<td>598,392</td>
</tr>
<tr>
<td>Tax expense – other</td>
<td>629</td>
<td>4,489</td>
</tr>
<tr>
<td>Other income deductions</td>
<td>6,775</td>
<td>7,595</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$ 13,841,445</td>
<td>$ 13,335,416</td>
</tr>
<tr>
<td><strong>OPERATING MARGIN</strong></td>
<td>$ (420,625)</td>
<td>$ 1,094,149</td>
</tr>
<tr>
<td><strong>NONOPERATING MARGIN:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonoperating margins – other</td>
<td>$ 235,070</td>
<td>$ 88,869</td>
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<tr>
<td>Interest income</td>
<td>108,415</td>
<td>104,183</td>
</tr>
<tr>
<td>Other Cooperative capital credits</td>
<td>90,033</td>
<td>138,491</td>
</tr>
<tr>
<td>Total nonoperating margin (deficit)</td>
<td>$ 433,518</td>
<td>$ 331,543</td>
</tr>
<tr>
<td><strong>NET MARGIN</strong></td>
<td>$ 12,893</td>
<td>$ 1,425,692</td>
</tr>
</tbody>
</table>

### Assets

**ELECTRIC PLANT:**
- In service: $32,330,961 \(\text{2015}\) / $30,915,882 \(\text{2014}\)
- Under construction: $305,048 \(\text{2015}\) / $1,033,076 \(\text{2014}\)
- Total electric plant: $32,636,009 \(\text{2015}\) / $31,948,958 \(\text{2014}\)
- Less accumulated depreciation: $(11,410,608) \(\text{2015}\) / $(11,008,359) \(\text{2014}\)
- Electric plant – net: $21,225,401 \(\text{2015}\) / $20,940,599 \(\text{2014}\)

**OTHER PROPERTY AND INVESTMENTS:**
- Investments in associated companies: $968,972 \(\text{2015}\) / $954,125 \(\text{2014}\)
- Other investments: $1,275,658 \(\text{2015}\) / $1,206,846 \(\text{2014}\)
- Total other property and investments: $2,244,630 \(\text{2015}\) / $2,160,971 \(\text{2014}\)

**CURRENT ASSETS:**
- Cash – general: $733,989 \(\text{2015}\) / $1,253,663 \(\text{2014}\)
- Temporary investments: $1,000,000 \(\text{2015}\) / $1,350,000 \(\text{2014}\)
- Accounts receivable: $1,487,768 \(\text{2015}\) / $1,688,146 \(\text{2014}\)
- Materials and supplies: $691,143 \(\text{2015}\) / $469,407 \(\text{2014}\)
- Prepayments: $69,308 \(\text{2015}\) / $162,314 \(\text{2014}\)
- Other current and accrued assets: $4,944 \(\text{2015}\) / $2,330 \(\text{2014}\)
- Total current assets: $3,987,152 \(\text{2015}\) / $4,925,860 \(\text{2014}\)

**DEFERRED DEBITS:**
- $143,041 \(\text{2015}\) / $150,818 \(\text{2014}\)

**TOTAL ASSETS:**
- $27,600,224 \(\text{2015}\) / $28,178,248 \(\text{2014}\)

### Equities and Liabilities

**EQUITIES:**
- Memberships: $18,950 \(\text{2015}\) / $18,855 \(\text{2014}\)
- Patronage capital: $7,869,520 \(\text{2015}\) / $6,454,527 \(\text{2014}\)
- Other margins and equities: $5,598,812 \(\text{2015}\) / $6,046,485 \(\text{2014}\)
- Current year margins: $12,893 \(\text{2015}\) / $1,425,692 \(\text{2014}\)
- Total equities: $13,500,175 \(\text{2015}\) / $13,945,559 \(\text{2014}\)

**LONG-TERM DEBT:**
- $11,679,413 \(\text{2015}\) / $12,525,455 \(\text{2014}\)

**CURRENT LIABILITIES:**
- Accounts payable: $1,208,871 \(\text{2015}\) / $1,161,880 \(\text{2014}\)
- Customers deposits: $15,250 \(\text{2015}\) / $14,950 \(\text{2014}\)
- Other current liabilities: $1,196,515 \(\text{2015}\) / $530,404 \(\text{2014}\)
- Total current liabilities: $2,420,636 \(\text{2015}\) / $1,707,234 \(\text{2014}\)

**DEFERRED CREDITS (Consumers Energy Prepayments):**
- $0 \(\text{2015}\) / $0 \(\text{2014}\)

**TOTAL EQUITIES AND LIABILITIES:**
- $27,600,224 \(\text{2015}\) / $28,178,248 \(\text{2014}\)

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

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
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 Salveson
  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
- Invocation ..................................... Sec./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!