

PKM NEWS

Electric Cooperative

July/August 2015



**Minnkota's environmental
track record - *page 5***

**Heating and cooling efficiently
with heat pumps - *page 7***

The EPA's Clean Power Plan

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CHARLES RIESEN

Manager
PKM Electric
Cooperative

Out with the “facilities” charge, in with the new and improved “fixed” charge

It was back in December of 2000, long after all the computers successfully entered the new millennium, when states and regulators were experimenting with and promoting deregulation. It became apparent that PKM (like any business with assets) had expenses that were “fixed” and independent of the volume of business they did. In PKM’s case it’s kilowatt-hours (kWh) of electricity; for a shoe store, pairs of shoes and so on.

We had just completed a cost of service study that identified not only some of the fixed costs, but costs for different classes of service such as residential/farm, commercial and irrigation. The blinding glimpse of the obvious (BGO) was that our 60-year-old minimum that you got to use electricity for was not sound rate-making. If memory serves me, we’re the only utility co-op or otherwise that still allowed usage for the minimum. All others had a service charge or a facilities charge. At the time we implemented the facilities charge the first block of 100 kWh were 12 cents each and the facilities charge was \$12/month.

When the charge was implemented, your bill did not increase if you used at least 100 kWh per month. However, for years after

we had to explain to member-owners what the charge was and why it was implemented, which is the primary reason you get to talk with a person when you call PKM instead of pressing #1 because our menu has changed.

The calls have dwindled and it appears most have accepted the charge or don’t bother to ask. The logical question to ask is why would I recommend the new “fixed” charge and why is it going from \$29-\$34 per month. In order, there has always been some sort of basic charge whether it was a first-rate block that was substantially higher, a customer charge, service charge or even, yes, a facilities charge (a term I don’t allow to be used any longer). To respond to the increase in the “fixed” charge, it represents the additional increases to only depreciation and interest. These two components are big items, but do not represent all the fixed costs of PKM’s operation and do not begin to touch the fixed costs from our wholesale power supplier, Minnkota Power Cooperative.

From the 1999 rate study, our “fixed” charge should have been about \$26. A new rate study will take place in 2016, but our internal analysis and your board of directors has approved \$34 effective Sept. 1, 2015.

In a perfect world, we would have a “fixed” charge that covered all fixed costs and an energy charge that represented the cost of the kWh and was marked up to service variable costs. Until we have rate-making utopia, we have a “fixed” charge that covers depreciation and interest and an energy charge that incorporates all other costs.

The EPA deals a blow to North Dakota

Last year when the EPA announced the “Clean Power Plan,” North Dakota was slated for an 11 percent reduction in power plant CO₂. We didn’t talk about it much because the final rules were to be out in 2015 and Minnkota had more than 30 percent wind power and the thinking was we could manage the 11 percent reduction in several ways without a lot of pain.

In this issue of the *PKM News*, Minnkota tells of the final rules that took North Dakota’s 11 percent and raised it to 45 percent. I see the President & CEO Mr. McLennan also has an editorial in the *Grand Forks Herald*. Obviously, we will keep you posted on the important issue.

At this point the only thing I feel safe in predicting is litigation aplenty.

On the cover

The Environmental Protection Agency released its final rule regulating carbon emissions from power plants in August. Read the story on pages 4-5 to find out how it will impact PKM Electric Cooperative and its power supplier, Minnkota Power Cooperative.

July/August 2015

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Next Board Meeting

Tuesday, August 25, 2015

Officers and Directors

President Ronald Reitmeier
Vice President Tom Woinarowicz
Secretary-Treasurer Gordon Bernstrom
Directors Michael Beaudry,
Jeffrey Folland, Steve Goodwin, Jerod Hanson,
Wayne Malm and Blake Owens
Manager Charles Riesen
Editors Deb Copp, Jeff Rustad, Chelsy Davey



Janice Mostofi, Roseau/Badger, Minn., and Deb Schmidt, Warren, Minn., were sponsored by Minnkota and toured the Milton R. Young Station, Great Plains Synfuels Plant and Center Mine.

Warren teacher attends lignite education seminar

More than 120 elementary and secondary teachers switched roles in mid-June, as they became the students at an educational seminar conducted by the Lignite Energy Council. The seminar, held June 15-18 at the National Energy Center of Excellence on the Bismarck State College campus, included educators from Minnesota, Montana, South Dakota and North Dakota.

Minnkota Power Cooperative, PKM's wholesale power provider, sponsored Janice Mostofi, Roseau/Badger, Minn.; and Deb Schmidt, Warren, Minn.;

this year. Since 1986, more than 3,000 teachers have attended the seminar.

"We were able to enjoy great speakers and presentations about the lignite plants and a field trip to the Milton R. Young Station," Schmidt wrote in a thank you note. "I can't wait to share all the information with my class at Warren-Alvarado-Oslo."

The seminar, titled "2015 Lignite Education Seminar: Energy, Economics and Environment," provided teachers with information and educational materials they need to teach their

students how lignite is mined and used to produce energy. The seminar covered lignite's economic impact on the region, as well as important environmental issues affecting the lignite industry.

As part of the seminar, the teachers toured the Milton R. Young Station and the Center Mine, in addition to other North Dakota energy facilities. Teachers who attended the seminar and completed a lesson plan could choose from three North Dakota universities to receive their graduate credits: UND, NDSU and Minot State University.

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www.whitehouse.gov
president@whitehouse.gov
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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
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Washington, D.C. 20515

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Final EPA carbon rules to burden co-op members

North Dakota has second-most stringent CO₂ goal

The Environmental Protection Agency (EPA) finalized regulations Aug. 3 to limit carbon dioxide (CO₂) emissions from power plants – a move that will dramatically reshape how America generates and uses electricity, if the rule survive legal challenges.

President Obama announced the rule, referred to as the Clean Power Plan, requiring a 32 percent cut in CO₂ emissions nationwide by 2030, compared to 2005 levels. The EPA determined different targets each state has to meet to achieve the overall national reduction goal.

Minnkota Power Cooperative, PKM Electric Cooperative's wholesale power provider, generates all of its electricity in North Dakota, which has the nation's second-most stringent carbon reduction goal at 45 percent. This is a steep increase from the 11 percent goal the EPA originally proposed for North Dakota in June 2014. Minnkota and others in the state's energy industry are currently working to understand the rationale behind more than quadrupling the requirement without providing notice.

An initial review of the rule indicates the established CO₂ reduction target likely cannot be met without some North Dakota coal facilities being shut down or operating at significantly reduced levels. Closing plants would strand hundreds of millions of dollars in investment, a burden that would be carried by electric consumers in the region.

"The EPA's final rule has the potential to substantially impact local communities that depend on reliable, low-cost power generated from North Dakota's seven coal-based power plants," said Mac McLennan, Minnkota president & CEO. "While we are still reviewing and analyzing this 1,560-page rule, it is clear that electric rates in Minnesota and North Dakota will be affected."

Minnkota is concerned about the regulation of CO₂ because its primary source of electric generation is the Milton R. Young Station, a two-unit coal-based power plant located near Center, N.D. The Young Station provides reliable, cost-

effective electricity for more than 128,000 retail consumers, including many of the region's homes, farms, schools and businesses. In addition to coal, 30 percent of Minnkota's generation capacity comes from wind and another 10 percent comes from hydro.

Minnkota provides wholesale electricity for member cooperatives in eastern North Dakota and northwestern Minnesota. The carbon reduction goal for Minnesota is 42 percent, although it remains to be seen how that will impact Minnkota.

Since the rule was originally proposed last year, it has drawn strong criticism from utilities, states and business interests. That opposition will translate into significant legal challenges in the coming months and years. At least 16 states have already indicated they will enter into a lawsuit with the EPA.

In the meantime, state officials will have until September 2016 to submit an initial plan to the EPA identifying what each individual power producer must do to meet the goal. Significant CO₂ reductions would need to be achieved by the start of the compliance period in 2022. The strict timeline will require utilities to make irreversible, long-term

decisions and investments within the next few years. Until that happens, the total impact to Minnkota, its members and end-use consumers remains difficult to quantify.

State reduction goals were based on three building blocks: 1) Improve coal plant heat-rate efficiency, 2) Replace coal with natural gas plants and 3) Increase the use of renewables. These options fail to take into consideration the unique characteristics of each state and its available resources. They also provide no credit to companies, like Minnkota, that were early adopters of renewable energy.

"Minnkota supports a balanced approach to developing our nation's energy policy that carefully considers reliability, affordability and environmental goals," McLennan said. "By enacting this rule, the EPA has given itself a new role in dictating energy policy, determining how we generate electricity and, ultimately, how our consumers use electricity."

"Minnkota supports a balanced approach to developing our nation's energy policy that carefully considers reliability, affordability and environmental goals."

— Mac McLennan
Minnkota President & CEO



Minnkota's environmental track record

Best available power plant technology

Minnkota meets or exceeds all current environmental compliance requirements at its generation facilities. About \$425 million has been invested in emission-control projects at the Minnkota-operated Milton R. Young Station during the last decade. The result at the coal-based plant has been significant reductions in sulfur dioxide (95 percent), nitrogen oxide (60 percent) and mercury (60 percent) emissions.

Wind energy leader

Minnkota has been an industry leader in wind energy for more than a decade. In 2002, the cooperative built the first commercial-scale, utility-owned wind turbine in the state of North Dakota. Currently, 30 percent of Minnkota's electric generation capacity comes from wind – one of the highest percentages in the nation. Minnkota is a former recipient of the U.S. Department of Energy's Wind Energy Cooperative of the Year award.

Robust energy-efficiency programs

Minnkota and its members have an established track record of encouraging residential and business consumers to use energy wisely. Since 2010, Minnkota has administered an energy efficiency and conservation program for its participating Minnesota distribution cooperatives and associated municipalities. These utilities annually reduce their electricity sales by at least 1.5 percent through incentive-based and education programs. Collectively, the group recently

saved its 140 millionth kilowatt-hour (kWh).

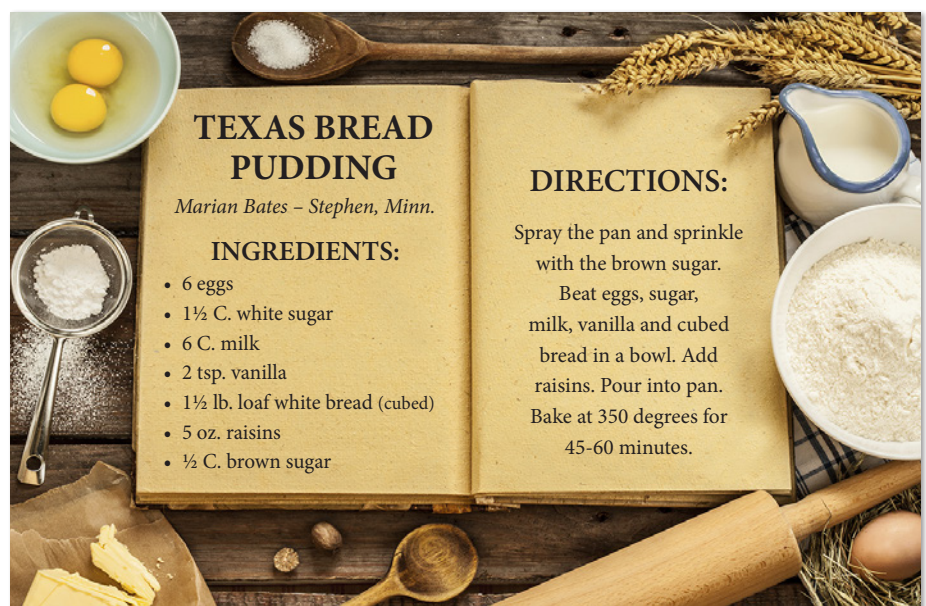
Innovative demand response program

Minnkota operates one of the most advanced demand response programs in the nation. Beginning in 1977, the demand response program is voluntary for consumers who allow Minnkota to interrupt electric heaters and other loads in exchange for a discounted retail electric rate. This capability enables Minnkota to more efficiently manage its existing power resources and avoid the need to acquire new generating resources that would carry a very high cost.

The program is popular with about 50,000 consumers participating. Loads most commonly involved in the program are dual-fuel heating systems, water heaters, storage heaters and commercial loads with backup generators. When necessary, nearly 100 megawatts (MW) in the summer and 350 MW in the winter can be interrupted by Minnkota.



About \$425 million has been invested in emission-control projects at the Minnkota-operated Milton R. Young Station during the last decade. The result at the coal-based plant has been significant reductions in sulfur dioxide (95 percent), nitrogen oxide (60 percent) and mercury (60 percent) emissions.



Cold weather disconnect rule notifications

216B.097 COLD WEATHER RULE; COOPERATIVE OR MUNICIPAL UTILITY.

Subd. 1. Application; notice to residential customer. (a) A municipal utility or a cooperative electric association must not disconnect and must reconnect the utility service of a residential customer during the period between Oct. 15 and April 15 if the disconnection affects the primary heat source for the residential unit and all of the following conditions are met:

(1) The household income of the customer is at or below 50 percent of the state median household income. A municipal utility or cooperative electric association utility may (i) verify income on forms it provides or (ii) obtain verification of income from the local energy assistance provider. A customer is deemed to meet the income requirements of this clause if the customer receives any form of public assistance, including energy assistance, that uses an income eligibility threshold set at or below 50 percent of the state median household income.

(2) A customer enters into and makes reasonably timely payments under a payment agreement that considers the financial resources of the household.

(3) A customer receives referrals to energy assistance, weatherization, conservation or other programs likely to reduce the customer's energy bills.

(b) A municipal utility or a cooperative electric association must, between Aug. 15 and Oct. 15 each year, notify all residential customers of the provisions of this section.

Subd. 2. Notice to residential customer facing disconnection. Before disconnecting service to a residential customer during the period between Oct. 15 and April 15, a municipal utility or cooperative electric association must provide the following information to a customer:

- (1) a notice of proposed disconnection;
- (2) a statement explaining the customer's rights and responsibilities;
- (3) a list of local energy assistance providers;
- (4) forms on which to declare inability to pay; and
- (5) a statement explaining available time payment plans and other opportunities to secure continued utility service.

Subd. 3. Restrictions if disconnection necessary.

(a) If a residential customer must be involuntarily disconnected between Oct. 15 and April 15 for failure to comply with subdivision 1, the disconnection must not occur:

- (1) on a Friday, unless the customer declines to enter into a payment agreement offered that day in person or via personal contact by telephone by a municipal utility or cooperative electric association;
- (2) on a weekend, holiday or the day before a holiday;
- (3) when utility offices are closed; or
- (4) after the close of business on a day when disconnection is permitted, unless a field representative of a municipal utility or cooperative electric association who is authorized to enter into a payment agreement, accept payment, and continue service, offers a payment agreement to the customer.

Further, the disconnection must not occur until at least 20 days after the notice required in subdivision 2 has been

mailed to the customer or 15 days after the notice has been personally delivered to the customer.

(b) If a customer does not respond to a disconnection notice, the customer must not be disconnected until the utility investigates whether the residential unit is actually occupied. If the unit is found to be occupied, the utility must immediately inform the occupant of the provisions of this section. If the unit is unoccupied, the utility must give seven days' written notice of the proposed disconnection to the local energy assistance provider before making a disconnection.

(c) If, prior to disconnection, a customer appeals a notice of involuntary disconnection, as provided by the utility's established appeal procedure, the utility must not disconnect until the appeal is resolved.

Subd. 4. Application to service limiters. For the purposes of this section, "disconnection" includes a service or load limiter or any device that limits or interrupts electric service in any way.

Local energy assistance providers

Northwest Community Action	800-568-5329
Tri-Valley	866-264-3729
Marshall County Social Services	218-745-5124
Polk County Social Services	218-281-3127
Kittson County Social Services	218-843-2689

The Military Service Personnel, section 325E.028 of the Public Utilities Act, provides:

Section 1. 325E.028 UTILITY PAYMENT ARRANGEMENTS FOR MILITARY SERVICE PERSONNEL.

Subd. 1. Restriction on disconnection; payment schedules. (a) A municipal utility, cooperative electric association, or public utility must not disconnect the utility service of a residential customer if a member of the household has been issued orders into active duty, for deployment, or for a permanent change in duty station during the period of active duty, deployment, or change in duty station if such a residential customer:

(1) has a household income below the state median household income or is receiving energy assistance and enters into an agreement with the municipal utility, cooperative electric association, or public utility under which the residential customer pays 10 percent of the customer's gross monthly income toward the customer's bill and the residential customer remains reasonably current with those payments; or

(2) has a household income above the state median household income and enters into an agreement with the municipal utility, cooperative electric association, or public utility establishing a reasonable payment schedule that considers the financial resources of the household and the residential customer remains reasonably current with payments under the payment schedule.

(b) For purposes of this subdivision, "household income" means household income measured after the date of the orders specified in paragraph (a).

Subd. 2. Annual notice to all customers; inability to pay forms. (a) A municipal utility, cooperative electric association, or public utility must notify all residential customers annually of the provisions of this section.

(b) A municipal utility, cooperative electric association, or public utility must provide a form to a residential customer to request the protections of this section upon the residential customer's request.

Subd. 3. Application to service limiters. For the purpose of this section, "disconnection" includes a service or load limiter or any device that limits or interrupts electric service in any way.

Subd. 4. Income verification. Verification of income may be conducted by the local energy assistance provider or the municipal utility, cooperative electric association, or public utility unless the customer is automatically eligible for protection against disconnection as a recipient of any form of public assistance, including energy assistance that uses income eligibility in an amount at or below the income eligibility in subdivision 1, clause (1).

Subd. 5. Appeal process. (a) The municipal utility, cooperative electric association, or public utility shall provide the residential customer with a commission-approved written notice of the right to appeal to the commission or other appropriate governing body when the utility and residential customer are unable to agree on the establishment, reasonableness, or modification of a payment schedule, or on the reasonable timeliness of the payments under a payment schedule, provided for by this section. Any appeal must be made within seven working days after the residential customer's receipt of personally served notice, or within ten working days after the utility has deposited first class mail notice in the United States mail.

(b) The utility shall not disconnect service while a payment schedule is pending appeal, or until any appeal involving payment schedules has been determined by the commission.

Subd. 6. Enforcement. This section may be enforced pursuant to chapter 216B. The purpose of this notice is to inform you of your rights and responsibilities under section 325E.028, Utility Payment Arrangements for Military Service Personnel. These rights and responsibilities are designed to help you meet payment of your utility bills. You must act PROMPTLY, if you choose not to assert your rights or choose not to enter into a mutually acceptable payment schedule, your service may be disconnected.

Your responsibility is to declare inability to pay by completing our inability to pay form and to return to PKM Electric, within 10 days.

Your responsibility to provide documentation to PKM Electric that your household income is less than 50 percent of the state median level.

You have the right to a mutually acceptable payment schedule with PKM Electric. This payment schedule will cover your existing overdue bill plus your estimated use during the payment schedule period. If you are able to pay but still wish to enter into a payment schedule, contact PKM Electric to make such payment arrangements.

You have the right not to be involuntarily disconnected on a Friday or the day before a holiday.

Your responsibility, if you choose to appeal, is to mail or hand deliver the letter of appeal stating your situation and issues in dispute. Your letter of appeal must be in our hands before the day of disconnection. The PKM Electric Board of Directors will review your appeal after it is received. If you want to be present at the appeal, you must call the cooperative for the date and time of the appeal review.

If you need help paying your electric bill, you may qualify for state or federal fuel assistance. For complete qualifications, applications and information, contact your local county social services or community/citizens action council listed above. These organizations may also provide budget counseling.

Heating and cooling efficiently with heat pumps

By Scott Gates



Managing the temperature in a home or business has the hands-down biggest impact on energy costs. In trying to keep warm in winter and cool during summer, the average U.S. homeowner spends \$1,400 annually, accounting for 56 percent of all home energy expenses.

While this outlay can be trimmed by tweaking efficiency, some folks have taken it a step further and

installed heat pumps, highly efficient devices that can provide both heating and cooling comfort.

As the name implies, heat pumps simply move heat from one place to another. During winter months, they collect and consolidate heat from outside sources and move it inside; during summer months, they reverse the flow and send warm, indoor air out.

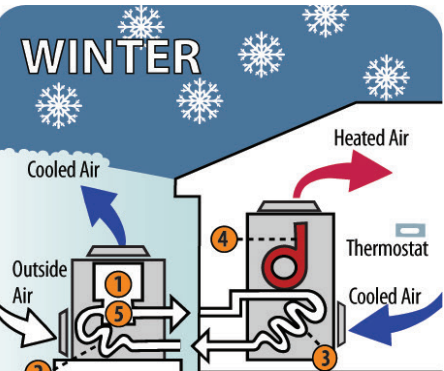
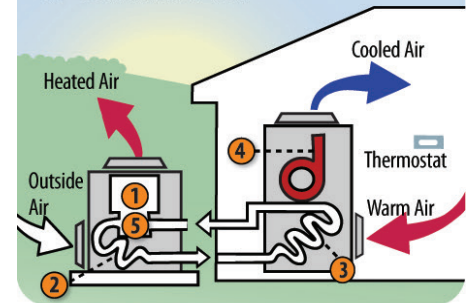
The most common type is an air-source heat pump that resembles an air-conditioning unit and uses the air around it to transfer heat. Geothermal heat pumps, also known as ground-source heat pumps, use the earth itself or groundwater as a means of transferring heat.

When replacing an electric heating system, air-source heat pumps can trim the amount of electricity needed for heating by as much as 30 percent to 40 percent. Although a typical high-efficiency, ENERGY STAR-qualified air-source heat pump comes with a substantial \$6,000 price tag, it's estimated that energy savings will offset the purchase price within five years.

How Do Air-Source Heat Pumps Work?

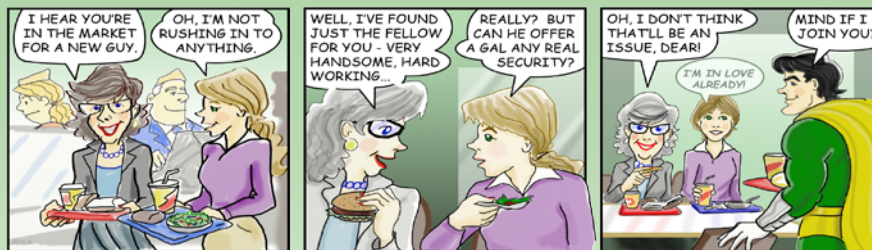
By transferring heat between a house and outside air, these devices trim electricity use by as much as 30 percent to 40 percent in moderate climates.

SUMMER



- 1 Compressor**
Increases refrigerant/freon pressure to accept the maximum heat from the air.
- 2 Condenser**
Coils move freon (and with it, hot or cold air) to or from outside air.
- 3 Evaporator**
Coils move freon (and with it, hot or cold air) to or from outside air.
- 4 Air Handler**
Fan blows air into a home's ducts.
- 5 Reversing Valve**
Switches the direction of the freon flow, changing the heat pump's output to hot or cold air (controlled by thermostat).

Source: NRECA



Northern Safety & Security offers customized security systems to help guard against intrusion, fire, unexpected flooding, carbon monoxide and much more.

Call us for a free consultation at

218-444-3902 or 1-877-751-3902





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My name is Kerra Ramsey
I would like to say thank
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interviews.

Thank you, Kerra

THANK YOU

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Thank you PKM electric Coop for supporting
live stock interviews this year at our
fair this year I show dairy and beef
cattle at the fair I strive to
learn and know about the cattle industry
to keep up with the times today. There's
a lot to learn and I plan on to keep learning
and advancing the farm and our cattle
quality and the business aspect about farming.
Thanks again for your support

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for life!*

PKM Electric
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save on their
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when they
purchase an 85-
or a 105-gallon



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and hook it up to the off-peak cycled
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electric bill with our off-peak cycled
program.

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

PKM's electric heating rebate program!

Incentives available for installation of an off-peak electric heating system



- Receive \$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.
- Homeowner will receive a rebate check after a visit from a PKM Electric technician.
- Maximum incentive per off-peak meter is \$600.

*Homeowners adding
new off-peak heating systems
qualify for these rebates.*

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

Board meeting highlights

May and June

A regular meeting of the board was held Tuesday, May 26, 2015.

Ron Reitmeier, president who presided, called the meeting to order. Upon calling the roll, the secretary reported that all directors were present with the exception of Steve Goodwin.

Director Woinarowicz reported on the apparent success of the Grass Roots day since all cooperative initiatives were included in legislation, but since the governors vetoed some of those bills, they will resurface during the special session.

Director Folland reported on a recent Minnkota board meeting.

The secretary/treasurer reported on Square Butte Electric Cooperative activities.

Director Folland and the manager reported on their attendance to the NRECA Legislative conference detailing Minnesota's six legislative priorities and their discussions with Senators Klobuchar and Franken.

The manager reported on his attendance to a NRECA legal seminar that dealt with drones, easements, stray voltage, trees, litigation and mercury and air toxin standards.

The manager of operations presented the monthly safety report, indicating no accidents and no lost time. He reported on an operations and maintenance review conducted with the RUS GFR in conjunction with a new loan application.

The operations manager reported on a meeting with Minnkota operating personnel stating that a majority of the people are new in their position.

MREA conducted a safety meeting on May 14 that dealt with trenching and shoring, and on May 19 Minnesota Safety reviewed work practices and flame-retardant clothing. He further reported that annual hearing tests have been conducted on all operating personnel.

Other department managers and the manager reported to the board on monthly activities and responded to questions from the board concerning their reports.

Minnkota Vice President of Member Services Lowell Stave briefed the board of directors on the upcoming delegate meeting that will deal with "Risk Analysis."

The 2015 scholarship distribution was reported to the board of directors. The board discussed the NRECA International Fund and a \$500 contribution was approved to remit to them.

Since the cooperative is making use of the CFC Integrity Fund and the Integrity Fund is accepting contributions again, it was decided that a \$500 contribution be made to the Integrity Fund.

The manager referred the board to a letter from RUS indicating that the cooperative's 2015-2018 Construction Work Plan has been approved by RUS, and that GFR Mark Doyle was at the meeting to discuss the FFB loan application and financial forecast.

The assistant manager informed the board of a corporation that is being dissolved and under the bylaws of the cooperative the board of directors has the determination to advance retire capital to corporations. It was resolved to provide for the present value distribution of capital to this dissolved corporation.

RUS GFR Mark Doyle was present to discuss with the board of directors an FFB loan, the documents required and the financial forecast in support of the loan. Mr. Doyle discussed with the board of directors the two resolutions he would need to start the loan process, one being a resolution approving the FFB loan in the amount of \$6.2 million. Members of the board quizzed the GFR as to why the cooperative would want to reimburse construction that has already been paid for. The GFR responded that it is an asset that will last from 50-60 years and is being financed for 35 years, and that it would make good business sense in the current interest rate climate to reimburse those general funds even though the construction has already been completed. The GFR reviewed with the board of directors the financial forecast and mentioned some deviations, such as an imputed 5 percent interest rate and that in this RUS is stress testing the forecast to ensure that cooperatives will be able to repay the loan. The president stated with the board of directors hearing the requirements of the FFB loan and the financial forecast he will entertain two resolutions. The first resolution was made to work with the RUS GFR to submit a FFB loan in the amount of \$6.2 million. The second resolution approved the long range financial forecast presented at this meeting and was in support of the FFB loan for the 2015-2018 construction work plan of the cooperative.

The manager said it would be necessary for the board of directors to review Policy Bulletin No. 21-2.3, which states the cooperative's intent to deal with member generation, i.e., co-generation to conform to federal and state laws.

The manager stated that the 2015 operating budget was predicated on a rate adjustment early in 2015. With increased power costs and reduced energy sales it would be necessary for the rate committee of the board of directors to meet. Vice President Woinarowicz called for a meeting on June 2, 2015.

A regular meeting of the board was held Tuesday, June 23, 2015.

Ron Reitmeier, president who presided, called the meeting to order. Upon calling the roll, the secretary reported that all directors were present with the exception of Blake Owens, who had participated by video.

Vice President Woinarowicz reported on MREA activities, indicating that the annual meeting will be held in March 2016. He further reported that three of the four initiatives of MREA during the legislative session have become law and that MREA continues to work on stray voltage, indicating that agreements have been reached with most stakeholders in this matter.

Director Folland reported to the board of an upcoming meeting of the Minnkota board of directors that will require a decision on a matter that would potentially have long term consequences for Minnkota. While he fully appreciates his decision at Minnkota is corporately for the best interest of Minnkota, he wanted to inform the PKM board and seek their opinions.

The secretary/treasurer reported on Square

Butte activities, indicating that Minnkota President & CEO McLennan is quite active and has discussed with the Square Butte board a number of initiatives that are confidential at this time.

Vice President Woinarowicz, chairman of the board rate committee, referenced a meeting with the manager and assistant manager that dealt with Minnkota's wholesale power increase and declining energy sales. The vice president stated that full discussion could take place during general business.

The manager of operations presented the monthly safety report, indicating no accidents and no lost time.

He reported that MREA conducted "Digger Training" for qualified operators during June and that DUECO/TEREX began truck inspections on June 5.

The operations manager continued his monthly report discussing outages, new services and the new skid steer loader with a forestry package being placed into service.

Other members of the management staff and the manager reported to the board on monthly activities and responded to questions from the board.

The manager of operations discussed for the board of directors the purchase of land near Donaldson that is being tiled and is in need of service for one sump, and this sump is located within 600 feet of Otter Tail's transmission line. Otter Tail would have to add underbuild on this line to provide service, but the bigger factor is that several more sumps will be required in the future that are clearly required to be served by PKM. Otter Tail does not want to provide a firm price unless this service would be released to them. Given our present situation with Otter Tail before the PUC, the question is, do we want to pursue this. After addition discussion the decision of the board was to seek advice of counsel.

The manager described for the board a desire by John W. Anderson for a donation to the Kittson County Veteran Memorial. The memorial desires security cameras to be installed and has already received an agreement from Wikstrom Telephone to provide the labor. The request was for \$1,000 and it was authorized.

At this time in the meeting the cooperative's auditors, Brady Martz, appeared before the board to present their audit and answer questions.

At 10:33, upon motion duly made and seconded and unanimously carried, the board recessed into executive session for discussion with their auditors and other matters.

At 11:08, upon a motion duly made and seconded and unanimously carried, the meeting returned to regular order.

The manager stated that it would be necessary for the board to discuss a resolution approving the development rate being offered to Enbridge. It was approved to provide the Minnkota Economic Development rate to Enbridge for a site specific location near Donaldson, Minn., and Policy Bulletin No. 20-55 was appended.

Following discussion, upon motion duly made and seconded a resolution by roll call vote was approved.

The roll call:

Trading Post

For Sale

420 acres good farmland for cash rent on bids. Any or all bids may be rejected. Call 218-874-4113. Bennie Hanson, Newfolden.

H & H aluminum trailer – 6 ft. 8" wide, 14 ft. bed, 18" drop back tandem, 15" tires, 7,000-lb axle weight, pull our loading ramps, adjustable hitch, 12" sides and never been used. Call 218-437-6446.

Rules

Ads for PKM members only. Limit your ads to two items. No commercial ads. Submit ads by the 18th of Jan., March, May, July, Sept. and Nov.

Yes

Gordon Bernstrom
Jerod Hanson
Mike Beaudry
Tom Woinarowicz
The manager and the assistant manager

Yes

Wayne Malm
Jeff Folland
Steve Goodwin
Ron Reitmeier

discussed with the board the presentation to the rate committee describing the need for additional revenue in the approximate amount of \$400,000 on an annual basis. The proposal to the committee was for a \$5 adjustment in the fixed charge and a 3 mill increase in energy. It is unlikely that any action on this proposal would allow the cooperative to make minimum operating TIER in 2015, but that it would place the cooperative in a better fiscal position.

A motion was made and seconded to receive the report of the committee and make the rate effective Jan. 1, 2016. A roll call vote was taken and that motion failed.

The assistant manager was asked how soon the fixed charge could be implemented. He stated Sept. 1. The board resolved to instruct management to implement a \$5 per month increase to the fixed charge effective Sept. 1, 2015.

The roll call:

Yes

Gordon Bernstrom
Tom Woinarowicz
Mike Beaudry
Wayne Malm
Steve Goodwin
Ron Reitmeier

No

Jerod Hanson

An updated financial forecast was presented to the board of directors, reflecting a more likely interest rate and capital additions during the 10 year period.

Electrical Inspectors

Marshall County & Kittson County

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

Polk County

Bryan Holmes
218-686-1413

Statistical and financial report

Year-to-date: June 2015

	Last Year	This Year	Budget
Total income	\$ 6,802,288	\$ 6,495,239	\$ 6,650,000
Total expense	\$ 6,328,862	\$ 6,643,984	\$ 6,407,300
Net margins	\$ 473,426	\$ (148,745)	\$ 242,700
Total kWh sold	70,645,596	59,892,718	62,300,000
Avg. kWh sold per member	3,158	2,654	
Delivery cost per kWh purchased	6.39¢	7.83¢	
Avg. sale price per kWh	9.62¢	10.84¢	
Percent kWh sales increase	6.9%	(15.2%)	
Members billed	3,729	3,763	
Miles of line in service	2,254	2,261	
175 watt MV lights	1,497	1,465	
400 watt MV lights	93	93	
100 watt H.P.S.	868	882	
250 watt H.P.S.	87	87	

Outage charged to:	2015	2014	2013
Minnkota operations	2,460.24	2,680.78	665.41
PKM operations	1,315.00	2,394.92	2,003.58
Total	3,775.24	5,075.70	2,668.99

Minutes per member PKM operations year to date: 20.97

Minutes per member Minnkota operations year to date: 39.23

**There's more than one
football field's length of
buried utilities for every man,
woman and child in the U.S.**

There are more than 100 billion feet of underground utilities in the United States, according to data compiled by CGA from various industry groups.





Final 'Waters of the U.S.' rule concerns co-ops, farmers

A controversial new rule finalized by the Environmental Protection Agency (EPA) and the U.S. Army Corps of Engineers could place countless puddles, ponds, ditches and other wetlands under federal jurisdiction.

The "Waters of the U.S." (WOTUS) rule was issued May 27 despite widespread opposition from farmers, ranchers and other stakeholders. The rule extends federal jurisdiction to water or land connected to a navigable water, even if such a connection occurs after a rain or through a subsurface connection. Tributaries, adjacent waters, certain wetlands and even some ditches could now fall under the Clean Water Act.

Mac McLennan, president & CEO of Minnkota Power Cooperative, represented the more than 900 not-for-profit electric cooperatives across the country in expressing concern over the rule during a March 24 U.S. Senate

committee hearing in Washington, D.C. Minnkota is Roseau Electric Cooperative's wholesale power provider.

The U.S. Senate Committee on Agriculture, Nutrition and Forestry heard testimony from McLennan and others on the WOTUS rule. Sens. John Hoeven (R-N.D.), Heidi Heitkamp (D-N.D.) and Amy Klobuchar (D-Minn.) serve on the committee.

Electric cooperatives engage in numerous activities that require obtaining permits under the Clean Water Act. The rule may result in the significantly increased regulation of numerous additional projects and facilities. This could include routine activities such as power line maintenance and other system upgrades. The resulting burden of time and resources spent could be substantial for a very minimal or nonexistent environmental benefit.

"In the effort to maintain the

critical infrastructure upon which our member-owners rely, Minnkota does not believe the substantial expansion of the delays and the added cost this rule would create are appropriate in its current form," McLennan testified at the March hearing. "The increased costs and lengthy permitting for constructing and maintaining power lines and new generation – including renewables – imposed by the proposed rule would result in little – if any – enhanced protection for the nation's waters."

The EPA and the Corps argue that the rule is an attempt to define the waters regulated under the Clean Water Act. Electric cooperatives and hundreds of other organizations, including the American Farm Bureau Federation and U.S. Small Business Administration, believe the rule provides little clarification and more confusion.

McLennan referenced the Red River as an example of how the rule could be problematic. The river, which is regulated under the Clean Water Act, often rises and fills ditches, potholes and farmland. The WOTUS rule implies that these areas would now fall under federal jurisdiction, even though they are only filled with water for a short period of time.

"This is a substantial regulatory expansion that results in more costs, delays and confusion, but does not likely improve the environment – its stated goal," McLennan said.