

PKM

Electric Cooperative

NEWS

September/October 2014



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could cost millions - *page 3***

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Month - *page 11***

October Potpourri



CHARLES RIESEN
Manager
 PKM Electric
 Cooperative

On the cover

Beet harvest was in full swing this October throughout PKM Electric Cooperative's service area.

COOPERATIVE MONTH – October is National Cooperative Month and at PKM we used to celebrate the occasion with pie and coffee in Warren, and in recent years in Hallock. We would get a chance to talk with hundreds of member-owners. Of late, new crops and farming practices have kept most of our member-owners busy. While our commitment to the principles of cooperatives have not waned in the slightest by taking time off for treats and quizzing the staff on co-op stuff, those things don't make the "to-do" list nowadays. We will have cookies and coffee and a drawing for a tablet thingy. Stop in Oct. 20-24 and test the cookies.

EPA CARBON RULE – Early in September I was part of a group that went to Washington, D.C., to bring awareness to our senators and congressman about issues of concern for Minnesota electric cooperatives. One of the issues was the EPA's proposed rule requiring reduced carbon emissions from existing power plants. Our initial request was to extend the comment period because of the complexity of the proposed rule. In that effort we were successful. The final rule is scheduled for June 2015. States will have a year to develop their plans (two years if they collaborate with neighboring states). Much is unknown at this time, but you can be safe in assuming the EPA's action will not reduce energy costs. With our power plants located in North Dakota and the vast wind energy resources already in place, North Dakota fares better than other states (at first blush). Our National Association reported some news that I hesitate to pass on for fear that you will think your efforts are not needed. Make no mistake, even though our email campaign

to www.action.coop has reached 1 million responses, we need you to be counted. Let the EPA know that reliability and affordability is a big deal.

ELECTRIC RATES IN THE FUTURE – Driving to work I heard on the radio another ad from "My Solar" imploring folks to not wait. Tax credits could expire and electric rates could rise 40 percent in the future. There may have been some other apocalyptic projections, but the electric rate one caught my attention. At this stage in my career, after an event-free beet campaign, why would I want to stir up the electric rate water? Well, because we are all about telling you what we know when we know it. Our wholesale power supplier, Minnkota Power Cooperative, Inc., is going to need (at some point soon) additional revenue. In this issue of the *News* you will read that the 250-mile transmission line from Center to Grand Forks was completed and the forecast for additional capital expenditures for Minnkota over the next five years is close to \$300 million. No decision has been made, but we have seen the forecasts and it appears we are looking at about a 10 percent increase in wholesale power costs in the next year or two (that's 10 percent total, not each year), and then rate stability for the next five-eight years (take that My Solar). PKM is not immune to additional capital needs, but we are working to keep them at a minimum and maintain excellent service. There are still about 10 percent of power cost increases from years past that have been absorbed internally. At some point we could need a kicker for PKM operations, but we've been operating on "not a dime before it's time" for many years. So far it's been working. Let us know what you think.

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Next Board Meeting

Tuesday, October 28, 2014

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Proposed EPA carbon rule could cost millions

The EPA extends comment period through Dec. 1.

A controversial proposed rule from the U.S. Environmental Protection Agency (EPA) could cost Minnkota Power Cooperative and PKM Electric Cooperative millions per year.

On June 2, the EPA released a proposed rule under section 111(d) of the Clean Air Act that will require carbon dioxide (CO₂) emissions reductions from existing power plants in 49 states. The rule was published in the Federal Register on June 18, starting a public comment period that extends through Dec. 1, 2014.

“We are pleased that the EPA has extended the comment period,” said Mac McLennan, president & CEO of our wholesale energy supplier, Minnkota. “We thank the North Dakota congressional delegation for their efforts in pushing the idea of having an extended period to vet this complicated proposed rule.”

The EPA intends to issue a final rule in June 2015, and states will then have one year to develop implementation plans or, if they collaborate on multistate or regional plans, two years to develop their plan.

Under the EPA’s plan, North Dakota must reduce carbon emissions approximately 11 percent by the year 2030.

Minnkota initially estimates that it could cost the Minnkota/Northern Municipal Power Agency (NMPA) Joint System about \$10 million to \$50 million per year to meet the targets in the proposed rule.

But there are many variables and unanswered questions regarding the proposed rule.

The EPA’s proposal is extremely complex and covers more than 1,600 pages, including the rule and supporting technical and legal documents. Fundamentally, the proposal has two basic parts: sets a CO₂ intensity target (pounds of CO₂ emitted per megawatt-hour of generation) for each state for the year 2030, as well as an “interim goal” applied as an average of the 2020-2029 period, and requires states to create their own plan to achieve the CO₂ reduction target set for them.

“The proposed rule seeks to not only cause a fundamental change in the way electricity is generated, but also in how

consumers use electricity,” said John Graves, Minnkota environmental manager.

Under the proposed rule, the EPA established each state’s reduction target by analyzing four “Building Blocks,” which are: (1) heat rate efficiencies at existing coal plants; (2) replacing existing coal generation with existing natural gas combined cycle plants; (3) increasing the use of nuclear and renewable energy; and (4) decreasing electricity consumption by increasing end-user energy efficiency.

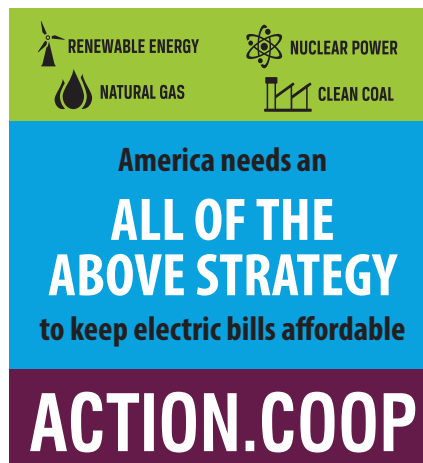
Building block 1 relates to physical and operational change at existing coal-based power plants to improve heat rate efficiency by 6 percent. EPA’s blanket assumption that 6 percent heat rate efficiency can be achieved at all plants is unrealistic.

Under building block 3, the EPA’s goals are based on keeping some existing nuclear power plants (that are at risk of closing) operating, ensuring that new nuclear plants under construction get finalized, and that more sources of renewable energy are developed. Minnkota has already invested heavily in renewable energy, as wind accounts for about 29 percent of its generation capacity. Minnkota has long-term power purchase agreements for 357,000 kilowatts of wind energy from wind farms near Valley City and Langdon, N.D.

One significant question the EPA has left open is whether renewables built in one state, but constructed to serve load in another state, should be counted in the state where the energy is produced or the state where the load is served. North Dakota’s CO₂ rate was calculated by the EPA using renewable energy produced within the state’s borders, which contributed to a lower target rate than other states. Recalculating those numbers to track the renewable generation to load would no doubt result in raising North Dakota’s CO₂ rate.

The cost of electricity directly impacts the quality of life in the communities served by electric cooperatives. While the EPA claims that its proposal will raise electricity rates modestly, resulting in lower electricity bills for consumers, this assumption fails to pass the common-sense test.

Here’s what you can do: go to www.action.coop and let the EPA know that you have serious concerns about this proposed rule, and that reliability and affordability must be key considerations. You can customize your message, or you can use the comments provided. Either way, please take a moment to let the EPA know how you feel. The EPA has an obligation to consider all public comments, but they can’t do that if we don’t comment.



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ALL OF THE ABOVE STRATEGY
to keep electric bills affordable

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It's done

Construction finished on Center to Grand Forks 345-kV Transmission Line

The largest investment in Minnkota Power Cooperative's transmission facilities ever, the Center to Grand Forks (CGF) 345-kilovolt Transmission Line, is finished with the last wires being strung July 31 and the line being put in service on Aug. 7.

The \$353 million, 250-mile line is transporting energy from the Milton R. Young Station near Center, N.D., to the Prairie substation near Grand Forks. Minnkota is PKM Electric Cooperative's wholesale power supplier.

The CGF Project is the longest line in state history that begins and ends within the state of North Dakota.

The line will meet Minnkota's obligations as a transmission services provider for grid reliability and to meet long-term load growth needs. The recent reassignment of an existing transmission line also drives the need for additional transmission facilities.

Project Manager Mike Hennes said, "After 117 weeks of almost continuous construction, the CGF Project is now complete. The hard work of up to 250 workers working outside and exposed to the elements has turned more than 2,000 truckloads of raw material into a major infrastructure improvement.

"A 345-kV transmission line can be compared to an interstate highway system. Once built, the bulk flow of electricity moves to the new line, which frees up capacity on the underlying system. The crews worked safely in difficult conditions and my hat is off to all who participated in the planning, design, permitting and construction of this challenging project."

From the start, Hennes and his top project assistant, Construction Manager Duane Phillips of Stanley Consultants, stressed safety as the No. 1 priority.

"Safety on this project has been outstanding," Phillips said. "With more than 300,000 hours worked during construction, the project only had two instances requiring medical attention. Considering the type of work being performed, that is a great testament to the people working and the attitude of safety that all the workers had."

Tri-State Drilling of Hamel, Minn., (foundations) and Michels Power of Neenah, Wis., (structures and line stringing) were the primary construction contractors.

"We have had great support from Minnkota staff," Hennes said.

Phillips said, "Being one of the largest transmission projects that's



Jason Bjerke, left, technical maintenance technician, and Chris Kelley, senior technical maintenance technician, work on circuit breaker controls in the Prairie substation shortly after the line was energized for the first time.

been constructed in the last 10 years across the nation, the construction team worked together extremely well to not only keep production rates high, but also to finish with a minimal amount of rework and at one of the lowest costs per mile of any 345-kV project across the country."



Residential Prescriptive Program

This program is designed to provide end-use consumers with a quick and easy way to choose high-efficiency equipment at the time of normal equipment replacement or major renovations. Some of these technologies include:

Lighting and Appliances		
ENERGY STAR® CFL Lamps	Replace incandescent bulbs with ENERGY STAR compact fluorescent lamps (CFLs)	\$2/bulb <i>Max. 12 per customer</i>
ENERGY STAR LED Screw-In Bulb	Replace incandescent bulbs with screw-in ENERGY STAR LED bulb	\$7/bulb <i>Max. 12 per customer</i>
LED Recessed Downlights <i>(complete fixture)</i>	Replace 60-125W incandescent. Must be ENERGY STAR-approved	\$25/install
LED Recessed Downlights <i>(screw-in replacement kit)</i>	Replace 60-125W incandescent. Must be ENERGY STAR-approved	\$15/install
Clothes Washer	ENERGY STAR	\$50/unit
Electric Water Heater	Minimum 80-gallon total capacity, EF ≥0.91. Must be controlled under the utility's load management program	\$150/unit
ENERGY STAR Refrigerator	ENERGY STAR	\$25/unit
ENERGY STAR Refrigerator <i>(with recycling of old refrigerator)</i>	ENERGY STAR	\$50/unit
ENERGY STAR Freezer	ENERGY STAR	\$25/unit
ENERGY STAR Freezer <i>(with recycling of old freezer)</i>	ENERGY STAR	\$50/unit
Heating, Ventilation Air Conditioning (HVAC) Measures		
Programmable Thermostat		\$25/unit
Air-Source Heat Pump (ASHP)	ENERGY STAR or 14.0 SEER / 8.2 HSPF	\$400/unit
Supplemental Heating Source for ASHP	Must modulate to allow ENERGY STAR-rated ASHP to operate down to 5°F, and be on load control	\$500/unit
Furnace (Air Handler) with ECM Blower	Furnace with ECM blower	\$150
Mini-Split/Ductless ASHP	15 SEER	\$500
Geothermal Ground-Source Heat Pump Open Loop <135,000 BTUH @ 59°F	16.2 EER /3.6 COP	\$200/ton <i>Max. incentive \$2,500/home</i>
Ground-Source Heat Pump Closed Loop <135,000 BTUH @ 77°F	14.1 EER /3.3 COP	\$400/ton <i>Max. incentive \$5,000/home</i>
Replacement Geothermal Ground-Source Heat Pump Open Loop <135,000 BTUH @ 59°F	16.2 EER /3.6 COP	\$100/ton <i>Max. incentive \$1,250/home</i>
Ground-Source Heat Pump Closed Loop <135,000 BTUH @ 77°F	14.1 EER /3.3 COP	\$200/ton <i>Max. incentive \$2,500/home</i>
<i>Incentive available for failed geothermal equipment only. Equipment must meet or exceed efficiency requirements. Entire indoor unit replacement is required to receive incentive. Replacing only the compressor will not qualify for the incentive. If equipped with backup electric heat, home must be on load control or demand billing per local utility offerings.</i>		

Incentives are available on a first-come, first-serve basis. Incentives are subject to change or termination without notice at the discretion of the participating utilities.

Celebrating 75 years

In 2015, PKM will celebrate 75 years of providing electric services to Polk, Marshall and Kittson counties. We are asking our members to participate in the celebration by submitting your favorite recipes to be included in a recipe book we will distribute during our Annual Meeting in April 2015.

Directions:

Review your recipe collection for submissions in any of the following categories:

Appetizers; Soups; Salads; Breads; Side Dishes; Main Dishes; Desserts; Cookies/Candy; Canning; Misc.

*Please include the key ingredients:
Name, city and recipe submission*

Attend our Annual Meeting and pick up your copy of the celebratory cookbook.

Enjoy the collection of recipes.

Recipe

Directions



Ingredients

Recipe

Directions



Ingredients

Recipe

Directions



Ingredients

It's nice to be on the water... not knee deep in it.

You work hard and now you want to enjoy your well-earned vacation on one of Minnesota's 10,000 lakes. However, you've experienced basement flooding before, leaving you a little uneasy away from home. But it doesn't have to be that way. With a home security system from Northern Safety & Security, a cooperative-owned business, you can be notified if your sump pump fails and water seepage starts to occur.

Home security systems from Northern Safety & Security offer families so much more than protection from intrusion. Our customizable security systems can also help guard against unexpected flooding, fire, carbon monoxide and more.



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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.

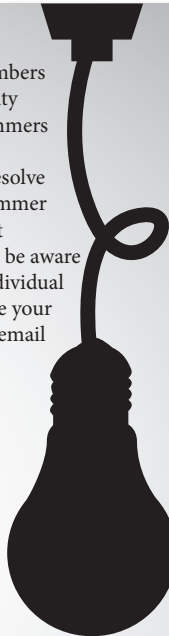
**For information and pricing,
call PKM Electric Cooperative
218-745-4711**



PKM Electric would like to educate our members of a billing scam that has been targeting utility companies. There have been reports of scammers impersonating the utility billing department claiming the member's bill is past due. To resolve a potential disconnection of service, the scammer requests credit card and/or financial account information for immediate payment. Please be aware this is a scam. If you are contacted by an individual making these claims, please do not distribute your information. PKM Electric does not call or email

our members requesting credit card information. PKM Electric is dedicated to protecting our members by promoting awareness and preventing scams.

SCAM ALERT



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e. Total Free or Nominal Rate Distribution (Sum of 1b(11)-(15))		75	75
f. Total Free or Nominal Rate Distribution (Sum of 1b(11)-(15))		75	75
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h. Total (Sum of 27f and 27g)		2884	2881
i. Paid (Sum of 27f and 27g)		97	97

CONTROLLED BURNS CAN BE COSTLY

If you plan a **controlled** burn of ditches or other areas, please check for utility poles in the area. Controlled burns can easily burn out of control and could result in damage to our electric poles. Poles that burn through, as shown in the photo, need to be replaced. Even poles that are blackened may need to be replaced. During the intense heat of a grass fire, the preservatives in the pole may boil or seep out. This may cause the pole to be brittle and more prone to wind or ice damage that would lead to an eventual outage. If a pole is damaged to the point of replacement, the member would be charged the cost of the equipment plus labor. Please exercise caution when doing a controlled burn in the vicinity of utility poles.



PKM ELECTRIC COOPERATIVE POLITICAL LEADERS

<p>Federal legislators</p> <p>President Barack Obama The White House 1600 Pennsylvania Ave. NW Washington D.C. 20500 www.whitehouse.gov president@whitehouse.gov 202-456-1111</p> <p>Senator Al Franken 320 Hart Senate Office Building Washington D.C. 20510 www.alfranken.com</p>	<p>202-224-5641 Fax: 202-224-0044</p> <p>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</p> <p>Congressman Collin Peterson 2109 Rayburn House Office</p>	<p>Building Washington, D.C. 20515 www.collinpeterson.house.gov 202-225-2165 Fax: 202-225-1593</p> <p>State of Minnesota legislators</p> <p>Governor Mark Dayton 75 Rev. Dr. Martin Luther King Jr. Blvd. Capitol Building, Room 130 St. Paul, MN 55155-1606 800-657-3717</p>	<p>mark.dayton@state.mn.us</p> <p>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</p> <p>Representative Dan Fabian 307 State Office Building 100 Rev. Dr. Martin Luther King Jr. Blvd. St. Paul, MN 55155</p>	<p>651-296-9635 888-727-0979 rep.dan.fabian@house.mn</p> <p>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</p>
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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 Arrangement 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.

Board meeting highlights

July and August

A regular meeting of the board was held Tuesday, July 29, 2014.

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

Director Woinarowicz reported on recent MREA activities, indicating that board committees and management are involved in the budget process.

Director Folland reported on a brief meeting of the Minnkota Power Cooperative board of directors, indicating the collection of final costs for the extended outage and dedication of the Center to Grand Forks Transmission Line.

The secretary/treasurer reported on a meeting of the Square Butte Electric Cooperative board of directors, indicating the completion and dedication of the Center to Grand Forks Transmission Line.

The manager of operations presented the monthly safety report, indicating no accidents and no lost time. MREA had a safety meeting on July 8 with a discussion topic on "Meter Safety and Troubleshooting." Included in this month's board agenda is a safety inspection by Federated Electric Insurance Company, detailing that pole trailers are lacking proper brakes and may be of the age that replacement should be considered.

The manager of operations, other staff members and the manager presented their monthly reports. They responded to directors' questions and answered to their apparent satisfaction.

The board discussed member concerns:

1. Extension of 3-Phase Service – The board considered development aspects of extending 3-phase service and the cost of the extension. Management was questioned on the actual costs involved, and given the uncertain history of the load, the feeling was that a contribution to construction is required. The board considered allowing terms for contributions to constructions of more than \$50,000.

2. Tile Sump – is located near Otter Tail's existing distribution line and would require the cooperative to extend service over a quarter mile. The board of directors discussed the rationale in releasing the service and directed the manager to notify the local OTPC representative to allow for the release of this load to Otter Tail.

The wage and salary committee having met following the June meeting of the board of directors presented the detail of its discussions to the board of directors. For the nonbargaining employees the wage adjustment is closely paralleled to that which was afforded and negotiated by the Local Union.

The second-quarter financials were reviewed with the board of directors, indicating that in consideration of the \$477,000 adjustment in January while expenses are slightly elevated from budget due primarily to less capitalization from the wet spring, the total margins are in good shape.

The manager reviewed with the directors second-quarter subsidiary financials, indicating that Northern Safety & Security and Carr's Tree Service are performing close to or ahead of budget and that Karian Peterson is having a difficult year achieving profitability. But it has several key projects that, should safety and productivity proceed, may help reach profitability. A discussion took place on the subsidiaries having to deal with technology and rationale.

The manager reviewed CFC key ratios. The full report is available for their perusal and the complete listing contains 145 ratios, although the reporting considers the previous five years of data the ratios are instructive for detecting trends and comparisons. The manager reviewed with the board ratios that dealt with

operating expense per kilowatt-hour, average wage rate per hour and consumers per mile of line. The cooperative performed favorably in operating expense per kilowatt-hour and toward the lower quartile in wage rates per hour and the cooperative remains, as a consumer per mile ratio, to be one of the lowest in the country.

The board reviewed proposals from Eide Bailly, the cooperative's present auditor, and Brady Martz. The board selected the three-year proposal of Brady Martz to audit the cooperative's financials beginning in 2015.

The manager and the assistant manager discussed with the board of directors the ability to refinance the remaining RUS loans with CoBank. There is the potential for interest savings because of the lower interest rate and shortened terms. However, buying out of RUS is not without issues that must be thoroughly discussed. Management decided to revisit this issue in October when there is more time.

The manager reminded the directors of the Midway Report following up on the discussion from the June meeting concerning cyber security. The cooperative has no insurance for cyber security and it is doubtful under its present situation the cooperative could even obtain the insurance. Servers must be in a controlled environment and the cooperative does not have that at this time. They will obtain a preliminary assessment and inform the board of the modifications that need to be done to qualify for insurance. Cyber security insurance will be reported on at a later date.

The chairman brought up board committees with the board of directors from the June meeting and it was determined that committee assignments would remain the same.

The Manager stated that it would be necessary for the board of directors to review Form 990 prepared by Eide Bailly, LLP. It was approved.

The manager reviewed with the board of directors the safety inspection of its insurance provider; wherein, they discussed the Hallock pole trailer and Public Safety Education. The manager stated that there is an employee and board safety committee meeting following the board meeting and this will dovetail nicely in their discussions.

The manager stated it would be necessary for the board to select voting delegates for the various affiliated organizations with which the cooperative has a vote.

It was declared that the voting delegates for 2014-2015 remain the same as the previous year.

Organization	Delegate	Alternate
NRECA	Mike Beaudry	Jeff Folland
MREA	Gordon Bernstrom	Tom Woinarowicz
CFC	Mike Beaudry	Gordon Bernstrom
NRTC	Blake Owens	Mike Beaudry
FEDERATED	Blake Owens	Tom Woinarowicz
COBANK	Jeff Folland	Gordon Bernstrom
CO-OP	Gordon Bernstrom	Tom Woinarowicz
NETWORK		
RESCO	Gordon Bernstrom	Wayne Malm

A regular meeting of the board was held Tuesday, Aug. 26, 2014.

Ron Reitmeier, president who presided, called the meeting to order. Upon calling the roll, the secretary reported that all directors with the exception of Jeff Folland and Blake Owens were present.

Director Woinarowicz presented the MREA report, indicating the final discussion and approval of the budget, fiduciary responsibility of the directors and a report on government affairs.

The secretary/treasurer and the manager reported on their attendance to the Energy Issues Summit where primary topics were solar energy, specifically its applications in Germany and solar gardens of various cooperatives, cyber security, a panel discussion on EPA and the future of energy. The secretary/treasurer also attended the Cooperative Network meeting and reported on it as well.

The secretary/treasurer reported on Square Butte activities, recapping the dedication of the 345-kV transmission line and presentations by the North Dakota congressional delegation.

The manager of operations presented the monthly safety report, indicating no accidents and no lost time. He further reported that one of our linemen has decided to take a new position at Nodak Electric Cooperative and we have submitted ads for a journeyman/lineman. MREA held a safety meeting on Aug. 19 with the topic "Bucket Safety and Operation." Minnesota Safety provided hands-on training with fire extinguishers for inside and outside employees.

The matter of appropriate construction charges was discussed at this time. Following discussion a motion was made and seconded to direct management to review energy usage (demand and kWh) against construction costs. During additional discussion the motion was amended, seconded and approved. The board directed management to prepare a "case study" on construction costs vs. energy usage by July 2015.

Other staff members and the manager presented their monthly reports. The manager specifically addressed the safety committee meeting following the July board meeting; wherein, public education and additional safety offerings from MREA were discussed.

The board was referred to the RUS loan fund audit that was conducted on Aug. 14. The report by the RUS field auditor revealed that all accounts balanced and were for proper purposes.

The manager reviewed briefly with the board the opportunity to refinance \$1.7 million of RUS loans, mentioning that the RUS general field representative will address the board in October to provide the contrary information as to why the refinancing may be a good idea.

The manager and the assistant manager discussed the meeting that took place between representatives of Otter Tail Power Company and the PKM staff. Both Otter Tail counsel and PKM counsel felt that the attorneys should step back and let both sides discuss this matter. It was our interpretation that Otter Tail's perspective was one of informing us of what it was going to do in its position and there was no indication of working together. We have since provided feedback to counsel and discussions continue.

At 10:57 a.m. the board went into executive session to conduct an exit interview with an employee who is leaving PKM for similar employment with a neighboring cooperative.

The board reconvened in general session at 11:10 a.m. and took up revised Policy Bulletin No. 3-4.22, which had a boiler plate revision of adjusting the salary ranges for various positions within the office. They adopted Policy Bulletin No. 3-4.22 entitled, Employees – Wage Schedule Covering Office Employees.

During the financials several questions were discussed concerning a report on individual RUS, CoBank and CFC loans, with the decision being that monthly financials would include the monthly loan statements and discussion was held on the depreciation of the meters.

Trading Post

For Sale

2002 Chevrolet Silverado LS 1500 4WD: Reg cab, heavy duty suspension, towing pkg, A/C, cruise, 112K miles, \$6,750/obo. Call 701-317-6909.

Oster deluxe bread & dough maker. All American 15½ qt. pressure cooker for canning. Both in good condition. Call 218-437-6471.

Magtag washer/dryer set, 1 yr. old, excellent condition. Call 218-455-3508.

Flax straw \$1.25 (picked up) or \$2 (delivered). Wheat straw bales \$2 each. Call 218-674-4481.

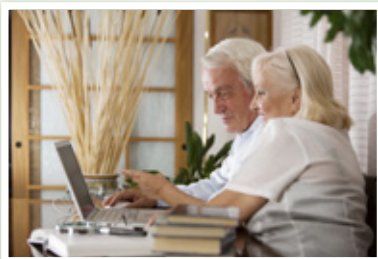
Ink cartridges for Canon Printer 221C, 221BK, 221Y & 220PGBK. Printer no longer works and I have extra ink cartridges, \$8 each. Call 218-674-4466.

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.

ACH (automatic payment) now available

Consider signing up for automatic payment from your checking or savings account. Starting March 10, 2014, the ACH (automatic payment) option began for your convenience. We will still mail your monthly billing statement, but you don't have to worry about getting your payment to us in time. We will send the request for funds to your bank on the 10th of the month. This has become very popular now that the AMI system is reading your meter(s) for you. Let us help you save time and money, in addition to saving money for your cooperative.



Statistical and financial report

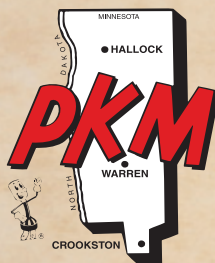
Year-to-date: August 2014

	Last Year	This Year	Budget
Total income	\$ 8,114,815	\$ 8,694,183	\$ 8,480,000
Total expense	\$ 7,934,988	\$ 8,190,967	\$ 8,012,000
Net margins	\$ 179,827	\$ 503,216	\$ 468,000
Total kWh sold	77,732,033	86,732,469	71,000,000
Avg. kWh sold per member	2,628	2,906	
Delivery cost per kWh purchased	6.72¢	6.62¢	
Avg. sale price per kWh	8.67¢	10.02¢	
Percent kWh sales increase	(31.7%)	7.8%	
Members billed	3,696	3,729	
Miles of line in service	2,247	2,254	
175 watt MV lights	1,511	1,493	
400 watt MV lights	95	93	
100 watt H.P.S.	859	873	
250 watt H.P.S.	86	87	

Outage charged to:	2014	2013	2012
Minnkota operations	3,979.80	1,942.86	403.14
PKM operations	4,960.92	2,594.58	2,831.52
Total	8,940.72	4,537.44	3,234.66

Minutes per member PKM operations year to date: 79.76

Minutes per member Minnkota operations year to date: 63.98



NATIONAL COOPERATIVE MONTH

Please join us October 20-24, 2014 PKM Electric Warren office

*coffee and cookies will be served

COOPERATIVES • Owned by our members • Committed to our communities

ENTER TO WIN A KINDLE FIRE!

Drawing will be Nov. 17, 2014.
Mail or drop off entry blanks.

Name: _____

Address: _____

Phone #: _____

OCTOBER	S	M	T	W	T	F	S
				1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	31	

2014

We're there for the light bulb moments



Electricity is helping the leaders of tomorrow shine in the classroom.

How do you spark imaginations without it? When the school day starts, electricity is there to power the lights, computers and new technology that are changing the way we learn.

The combination of electricity and education provides a powerful value – each and every day.

Powerful Value
Every day.

218-745-4711 or 1-800-552-7366 • www.pkmcoop.com

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.
- Program began May 1, 2014.
- 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