

2014

"Taking Action"



Presented by the Enlightener



NORTH STAR ELECTRIC COOPERATIVE ANNUAL REPORT

North Star
ELECTRIC COOPERATIVE
Your Touchstone Energy® Partner

OCTOBER 2014





Steve Arnesen
District 1



Mike Trueman
District 2



Randy Bergan
District 3



Michael Hanson
District 4

Serving since:

Julian Brzoznowski	1983
Steve Arnesen	1986
Bruce Polkinghorne	1989
Michael Hanson	1994
Randy Bergan	1999
Mike Trueman	2002
Lorraine Nygaard	2007



Bruce Polkinghorne
District 5



Lorraine Nygaard
District 6



Julian Brzoznowski
District 7



Enlightener

OCTOBER 2014

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OFFICERS AND DIRECTORS

President Steve Arnesen
Vice President Bruce Polkinghorne
Secretary-Treasurer Michael Hanson
Directors Julian Brzoznowski, Randy Bergan,
Lorraine Nygaard, Mike Trueman
General Manager Dan Hoskins
Editor Wayne Haukaas

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1-888-60OUTAGE (1-888-668-8243) or 634-2603
e-mail us at nsec@wiktel.com
Visit our website at www.northstarelectric.coop

MISSION STATEMENT

To improve the lives of our member-owners and community by responsibly providing clean, affordable electric energy and other beneficial services while maintaining the very highest standards of performance and member satisfaction.



North Star Electric
offices will be closed
Tuesday, Nov. 11, in
observance of Veterans Day.

ON THE COVER "Taking Action"

- **Board Planning** – for our future
- **Community Involvement** – supporting local needs
- **Education** – solar demo project (see page 5)
- **Political** – working to shape balanced legislation
- **Reliable Electricity** – on call and ready to serve 24/7/365

2016 NORTH STAR WALL CALENDAR



For several years North Star has given wall calendars to our membership at our annual meeting. For the 2016 calendar we would like to have a calendar with only pictures of the North Star service area. If you have pictures that you would like to submit for the calendar please email them to waynensec@wiktel.com with a short caption (maximum of four pictures). Any member who sends a picture that we use for our calendar will receive a \$50 credit on their energy bill. We would like pictures of the four seasons or members working or playing in our service area. Any questions please call 888-634-2202 and ask for Wayne.

NORTH STAR MEMBERS SHOULD BE AWARE OF SCAM DON'T GET SCAMMED



For the first time, Minnesota utilities, including North Star Electric Cooperative, are joining forces to fight back against scams. Reports of phone and email billing scams targeting Minnesota utility customers are increasing at an alarming rate, representing thousands of dollars lost by customer victims.

In an effort to shut down scammers, the Minnesota utility coalition recently launched "Slam the Scam," an awareness campaign aimed at warning customers and preventing scams. The coalition is encouraging customers who think they are being targeted by a scammer to simply end the conversation – "slam" down the phone. Customers should then contact the utility to report the incident.

Utility companies across the country are reporting an increase in scams aimed at customers. Some Minnesota utilities are experiencing an increase of more than 300 percent in customer scam attempts over 2013. Scammers are targeting all classes of members. In most cases, a scammer calls during busy hours of operation and threatens to disconnect the customer's utility service unless the customer makes a payment immediately.

Scammers are using various tactics to con customers into providing payment. Posing as utility employees, scammers have been known to:

- ♦ Tell intended victims their accounts are past due and threaten to disconnect their utility service if they do not make payments immediately.
- ♦ Require victims to pay using a prepaid debit card, such as a Green Dot card.
- ♦ Manipulate caller ID to display a fake number, which may actually be your utility's number. This is called "spoofing."
- ♦ Email customers phony utility bills that appear to

be from an energy provider with an account number, amount due, due date and a link to make the payment.

Protecting personal and financial customer data is a top priority for utilities such as North Star, and they all are working to provide solutions to protect the public from scams. Utilities want customers to know how to identify a scam. If they are behind on their bills, they will receive a written notice before service disconnection. Customers who have not received a disconnection notice in the mail should not engage anyone on the phone or by email demanding to take payment. Instead, customers should hang up and contact North Star to verify account status and report the attempted scam. They are also encouraged to report the incident to local law enforcement.

Utilities offer the following tips to avoid being victimized:

- ♦ Never give out personal information or credit card numbers or wire money as a result of an unexpected or unsolicited call or email if you cannot validate the authenticity.
- ♦ Be suspicious if the caller is insisting on the use of a prepaid debit card or an immediate payment. Utilities provide many options for payment.
- ♦ Know that North Star Electric will contact customers first by U.S. mail about past due bills. You will be sent a disconnection notice in writing before your service is turned off.
- ♦ If it just doesn't feel right, "slam the scam" and end the conversation.

North Star Electric will welcome the call to verify your account status.

PRESIDENT & MANAGER'S REPORT



Dan Hoskins, *general manager*
Steve Arnesen, *president*

Congratulations North Star Electric Cooperative member-owners on your 74th annual meeting of the membership. We are proud to be a part of it! This year our theme is “Taking Action,” but before we get into that part of this report, we want to touch on a few action items of our own that happened over the course of the last year.

The most important item is the changing employee group. This group of folks sees to it that your cooperative runs efficiently, reliably, dependably and at our lowest cost. Since we met with you last year, we have had three more employees either retire or leave North Star employment: Ron Lee, sub-foreman of the line crew in Littlefork, 31 years of service; Rich Grotberg, journeyman lineman out of Littlefork, 18 years of service; and Kathy Senti, work order clerk out of the Baudette office, 26 years of service. We thank them for all their years of dedicated service and we wish them all the best. Our newest employees hopefully have a long future ahead of them and we welcome them to our team: Preston Kennedy, journeyman lineman out of Littlefork, and Brittany

Hanson, administrative assistant/billing clerk at the Baudette office.

On Dec. 20, 2013, we adjusted the monthly basic service fee from \$36 per month to \$38 per month. We also worked it out so that when this went into effect, the cost per kWh went down from 11.3 cents per kWh to 11 cents per kWh. So if you use less than 667 kWh per month, you would see a slight increase in your bill, but if you used more than 667 kWh per month, you would see a slight decrease in your bill.

As we moved into 2014, we ended the 2013 year in very good shape. You bought 13 percent more kWh, which created 7 percent more revenue than budgeted. This then created a margin of \$933,201 and a TIER of 2.16, which our lenders and our board of directors like very much, so thank you for buying our product!

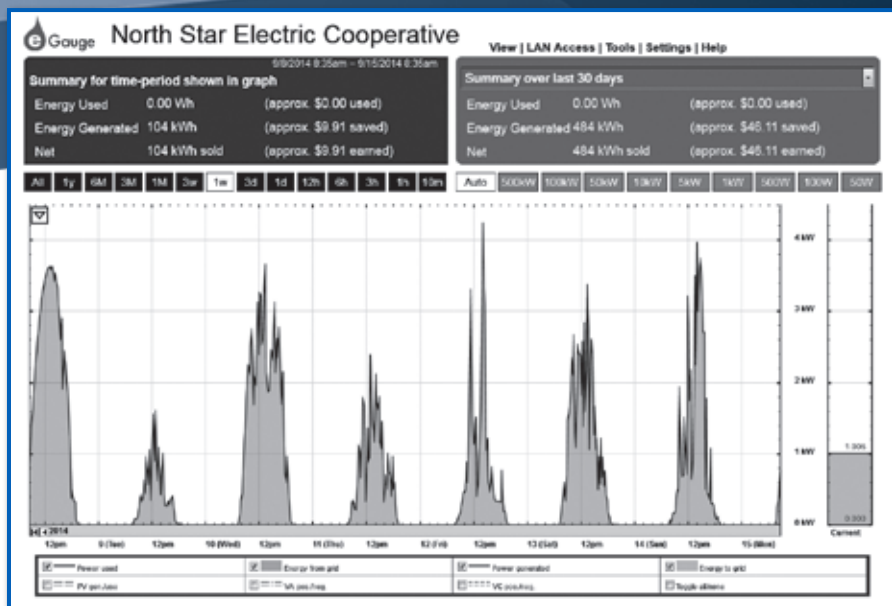
In March, the Minnkota Power Cooperative board of directors extended the wind energy surcharge on your bill and increased it by 1 mill, which is one-tenth of 1 cent and equates to \$1 per 1,000 kWh.

Winter and spring were also a good time for a few technology changes and improvements at North Star. We began using a new secure pay system to create more protection for our members who pay their bill with a check or credit/debit card over the phone. This process now involves the member calling a toll-free number (855-874-5354) and entering their own information, which keeps their account and card information completely out of the office. We also rolled out our new online bill pay system called SmartHub. SmartHub can be accessed through our North Star website and also a handy app that can be downloaded on any smartphone, iPad or tablet. Along with

information about your current bill, SmartHub also includes new features like usage charts and the ability to look at previous months' bills.

To be on track with our power supplier, Minnkota, we started to move our billing date to match its meter reading date, which is at the end of the month. We used to read your meters on the 20th of each month, but to get more in line with Minnkota's billing system and to avoid a large 10-day increase on one month's bill, we have been changing the billing cycle by two days every month. We started this process in April and it continued through September, which then put our billing in line with Minnkota's wholesale power bill. So for six months, April through September, everyone saw two extra days of usage on their bill, which raised a few questions that employees were happy to answer. Now that this process is complete, bills will be sent out around the 6th of every month and will always be due on the 20th of every month.

June was a first for us. Our folks installed our first-ever solar electric panel in the front yard of our Baudette office. When you drive into our parking lot, you will see a new 4.92-kW solar system. You may wonder why North Star installed a solar system at its headquarters. The answer is simple: education, both for us and our membership. If you are considering installing a solar system, we want you to have the most accurate information possible and not just some information you read off a website or heard from a salesman pushing for a sale.



Part of becoming educated about solar energy includes understanding that electricity must be used at almost the moment it is generated, unless you have a way to store it. This real-time graph on our website (www.nse.coop) shows how much electricity our demonstration project has generated. You can see the week started with a very sunny day – a nice smooth curve as the sun rose and set. Day 2 was cloudy, and the rest of the week showed a few clouds.

We installed a 12-panel, 410-watt photovoltaic system, which is rated at 4.92 kW DC (direct current) and when converted to AC (alternating current), which you use in your home, is 4.5 kW. The system consists of 12 panels, 6 wide by 2 deep and covers a 15-foot by 40-foot area. It is estimated that this unit will produce 6,674 kWh/year. The peak month of production is July, which is estimated at 791 kWh (we had 763 kWh actual), and the lowest month is November, which is estimated to be 277 kWh (actual is yet to be seen). This system is interconnected with our headquarters building so all the electricity produced is used on site. If you have any questions about this system, please give our office a call and talk with Wayne, manager of member

services, or stop by and check out the system.

On the operations side, crews were busy, especially with the extra long spring. One thing that kept them busy were outages. Some of you experienced outages and some of them were longer than usual, but all in all, we believe outages were under the average for the year. The crews also completed a number of 2014 work plan projects, which, in turn, give our system much more stability and dependability. One major hurdle this summer was the replacement of most or all of the underground cable in the city of Big Falls. These folks were experiencing a number of outages on the old cable. This project, which was going to possibly take two or three years, was

knocked out in one year, so great job to the crews.

In September, most of you should have seen a capital credit refund on your bill. The board approved a \$600,000 capital credit retirement for this year, which landed on your September bill.

And now let's talk about "Taking Action." There have been a number of actions around here, and I am going to talk about two of them. The first is an action that we hope includes a lot of you folks. You have shown that you care about affordable electricity, and many of you sent your opinion when the EPA was targeting new coal-fired generating plants. Now they are after the existing coal-fired power plants and we need your help again. Go to www.action.coop to learn more and let your voice be heard, or contact Ann Ellis, assistant general manager and our grassroots coordinator in our Baudette office, and she would be glad to direct you to the site or even just talk to you about it. This proposed rule could be devastating to our industry. We have strength in numbers, but only if we stand up together and take action.

There you have it, the many different actions within our co-op. But, like we mentioned before, there is one more action to tell you about. This action is personal. My action is retirement. This is the last annual meeting for me as your general manager, as I plan to retire in August 2015. It has been my honor and privilege to serve as your general manager, and I hope to have a much larger article in the near future explaining my honor and privilege to you.

God bless you and our troops,
Dan and Steve

BILLING DATE CHANGES

Bills are now due on the 20th ... ACH/Bankdrafts will be transferred from participants' bank accounts on the 20th. One third of our members use this free, auto-payment service. Contact us if you would like to join them.

Bills will be mailed on the 6th ... You should receive it by the 10th. If you provide your email address, we can send you a

notification of your new bill amount as soon as it is calculated.

Meter reading dates have changed from the 20th to the last day of the month ... because Minnkota Power Cooperative, our wholesale supplier of electricity, has moved its meter reading date to month-end.

Thank you for your understanding during this transition!

NORTH STAR ELECTRIC

CO-OP EMPLOYEES



Dan Hoskins



Ann Ellis



Wayne Haukaas



Marty Mollberg



Patsy Olson



Bruce Petersen



Todd Thydean



Susan Williams



Tim Pelach



Kevin Holen



Glen Marcotte



Todd Higgins



Jim Kuehl



Brad Dolinski



Robyn Sonstegard



Tessa Pepera



Jesse Huot



Darren Koschak



Toby Wahl



Preston Kennedy



Brittany Hanson



James Sather



Nick Horne

	Position	Years of service		Position	Years of service
Dan Hoskins	General Manager	12	Todd Higgins	Line Sub-Foreman	11
STAFF			Jim Kuehl	Part-time Handyman/Groundskeeper	11
Ann Ellis	Assistant General Manager/Finance Manager	37	Brad Dolinski	Purchasing Agent/CAD Draftsman	9
Wayne Haukaas	Manager of Compliance & Member Services	26	Robyn Sonstegard	Bookkeeper/Asst. Office Manager	7
Marty Mollberg	Operations Manager	26	Tessa Pepera	Work Order Clerk	5
EMPLOYEES			Jesse Huot	Journeyman Lineman	1
Patsy Olson	Billing Coordinator	38	Darren Koschak	Line Crew Chief	1
Bruce Petersen	Line Foreman	36	Toby Wahl	Journeyman Lineman	1
Todd Thydean	Line Sub-Foreman	26	Preston Kennedy	Journeyman Lineman	1
Susan Williams	Supervisor, District Office Services	26	Brittany Hanson	Billing Clerk/Administrative Assistant	
Tim Pelach	Line Foreman	23	James Sather	Part-time Summer Apprentice Lineman	
Kevin Holen	Member Service Master Electrician	18	Nick Horne	Part-time Summer Apprentice Lineman	
Glen Marcotte	Line Crew Chief	12			

STATEMENT OF OWNERSHIP

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 Publisher: **North Star Electric Cooperative Inc PO Box 719 Baudette MN 56623-0719**
 Editor: **Wayne Haukaas PO Box 719 Baudette MN 56623-0719**
 Managing Editor: **Wayne Haukaas PO Box 719 Baudette MN 56623-0719**

9. Owner (Do not leave blank. If the publication is owned by a corporation, give the name and address of the corporation immediately followed by the names and addresses of all stockholders owning or holding 1 percent or more of the total amount of stock. If not owned by a corporation, give the names and addresses of all individual owners. If ownership is by partnership or other unincorporated firm, give its name and address as well as those of each individual owner. If the publication is published by a nonprofit organization, give its name and address.)
 Full Name: **North Star Electric Cooperative Inc** PO Box 719 Baudette MN 56623-0719

10. Known Bondholders, Mortgagees, and Other Security Holders Owning or Holding 1 Percent or More of Total Amount of Bonds, Mortgages, or Other Securities. If none, check box: ☒ None

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UNITED STATES POSTAL SERVICE® (All Periodicals Publications Except Requester Publications)

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17. Publication of Statement of Ownership

18. Signature and Title of Editor, Publisher, Business Manager, or Owner: **Wayne Haukaas** 09/11/14

POWER SUPPLY REPORT



By Mac McLennan

President & CEO

Minnkota Power Cooperative, Inc.

Transmission line construction, a major unplanned outage and another proposed power plant regulation have highlighted a busy 2014 for Minnkota Power Cooperative, North Star

Electric Cooperative's wholesale power provider.

The largest investment in Minnkota transmission facilities ever, the Center to Grand Forks (CGF) 345-kilovolt Transmission Line, is finished. The last wires were strung July 31 and the line was 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 Minnkota's service territory in eastern North Dakota and northwestern Minnesota.

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

Crews worked almost 117 straight weeks on construction. The hard work of up to 250 people working outside and exposed to the elements has turned more than 2,000 truckloads of raw material into a major infrastructure improvement.

My hats off to everybody involved in the build, led by Project Manager Mike Hennes.

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 strong testament to the people working and their attitude toward safety.

Minnkota staff has also spent part of the year trying to better understand a new EPA-proposed rule targeted at carbon dioxide emissions for existing coal-based power plants.

Comments are flooding in on the heels of the administration's June announcement of the United States' first proposed rule to cut carbon dioxide (CO₂) emissions from existing power plants.

The EPA has proposed that existing plants reduce CO₂ by an average of 30 percent – compared to 2005 levels – by 2030. North Dakota's reduction goal is to cut CO₂ emissions by 10.6 percent, while Minnesota's goal is to cut CO₂ emissions by 40.6 percent.

This is obviously an important issue for North Star, Minnkota and other electric cooperatives in this country. We hope members in our system will go to action.coop to learn more and submit official comments on the proposed rule. The EPA is accepting comments regarding this issue until Dec. 1.

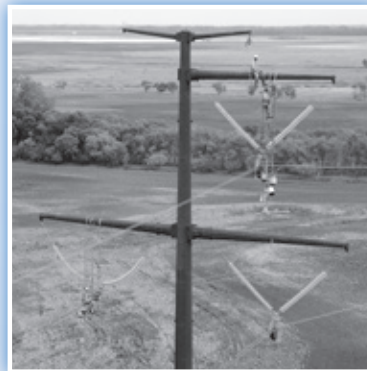
Two-day public hearings were held in Denver, Atlanta, Washington, D.C., and Pittsburgh the week of July 28. Minnkota Environmental Manager John Graves was one of 388 speakers at the Denver location. An EPA spokesperson said a combined 1,322 people spoke at the four regional meeting locations.

Minnkota continues to analyze the proposal, titled the "Clean Power Plan," for its possible effects on the reliability and affordability of electricity for cooperative members and the region at large. Minnkota, like all utilities, interacts with the larger energy market to ensure its members have a dependable and low-cost supply of energy.

Minnkota has invested more than \$425 million into environmental upgrades at the Milton R. Young Station. Total investment in the clean coal technology at North Dakota's eight coal-based power plants is more than \$2 billion.

Speaking of the Young Station, it had an unfortunate incident this year.

In early May, 12 tubes ruptured in the boiler at the plant, causing significant damage to the boiler and



several other areas of the Young 2 unit. To date, repairs for the damage have reached nearly \$17 million and the operating impacts from not having the plant online have been nearly \$17 million as well.

I had the opportunity to spend some time at the plant to look at the damage caused by the tube failure and pressure excursion. It was significant and I will say that we are very fortunate that no one was injured as a result of it.

More than 300 contractors and Minnkota personnel worked long hours making repairs and completing inspections to get the unit back in service. Minnkota is doing a root-cause analysis of the incident to learn more.

Lastly, Minnkota has been working with our members on a marketing campaign this year. The message of the new campaign is "Powerful Value."

In addition to the advertising piece, we also have started an electric heating rebate program.

Through an assortment of communications materials, Minnkota will remind consumers of the role electricity plays in their lives and why it is important to use it wisely.

In part because of the Young 2 unplanned outage and the CGF line being finished, there will be a need for some rate adjustments in the next couple of years.

Rates are always a concern. We must keep a long-term focus and stay watchful.

Even with the challenges of EPA regulations and legislative mandates, it's our pledge to do everything possible to help North Star keep its electricity as the best energy value in the region.

DISCOVER WAYS YOU CAN BE MORE ENERGY EFFICIENT

Whether in the heat of summer or the cold of winter, there are always steps you can take to make your home a more efficient one. According to the Department of Energy, more than half of the utility bill comes from heating and cooling. Making your home greener will not only lower costs on your electric bill, but it will also benefit the environment.

To be more energy efficient, turn the thermostats down a few degrees in colder weather and up when it's warmer. Consider investing in a programmable thermostat. With a programmable thermostat, you can set the temperatures to automatically adjust for when you are home and when you are away. You can save money any season by closing off rooms that you do not need to heat or cool.

During winter, dress warmly and keep the temperature in your home moderate. In the summer, wear light

clothing and use fans to help keep cool instead of running the air conditioning as much. Clean off ceiling fans, and make sure they are circulating air in the correct direction for the season. During warm months, ceiling fans should operate in a counterclockwise direction. Also, retrieve portable fans from storage. Fans create a cooling effect at less cost than air conditioning.

You can also use curtains or window blinds to your advantage. Close curtains or blinds in the summer when the sun is out to keep the room cool, and leave them open on the south side of the home in the winter to let the heat from the sun warm up the room.

In many ways, adjusting your own habits can increase efficiency. Turn off lights when leaving a room, set computers to go into sleep mode when not in use, and make sure nothing in your home is covering vents. This allows for continued air flow and reduces the work for the

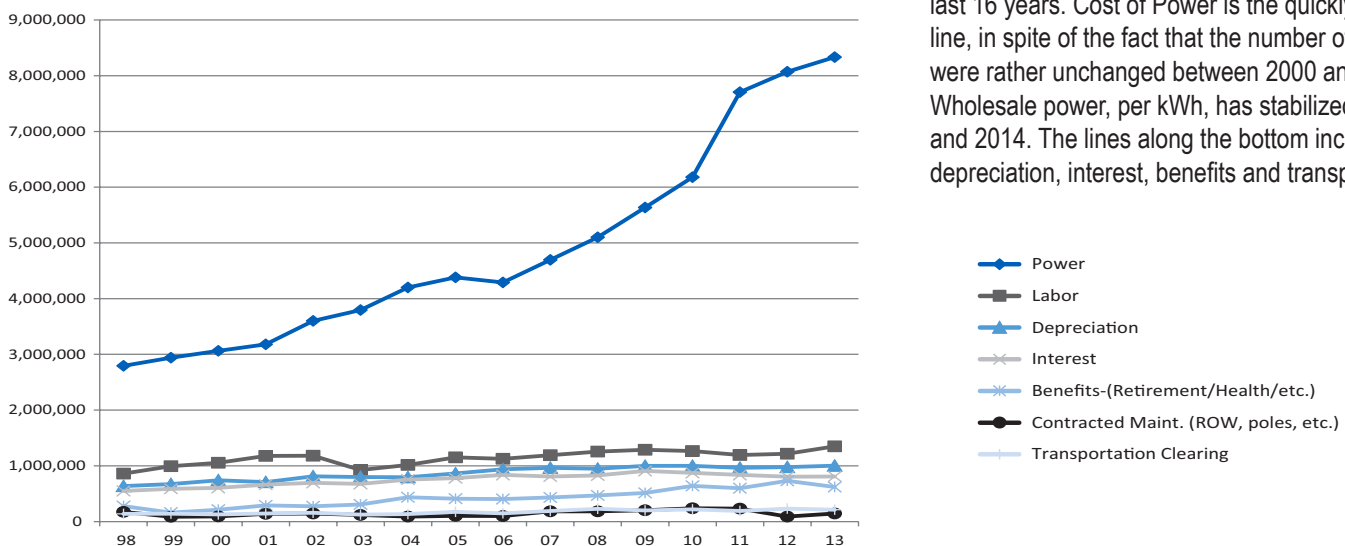


furnace or air conditioning unit.

Low-cost measures include replacing incandescent bulbs with CFL or LED bulbs, sealing cracks around the house to prevent heat in the winter and air conditioning in the summer from escaping by using caulking and weatherstripping windows and doors, and cleaning or replacing air conditioner and furnace filters.

If you are purchasing new appliances, be sure to look for the ENERGY STAR® label. ENERGY STAR® products use at least 20 percent less energy than other products. Save money by unplugging products that are not in use or consider investing in power strips to cut down on energy use. For more information on energy efficiency and safety, visit EnergyEdCouncil.org.

HIGHEST COST EXPENSES



These lines represent our biggest expenses for the last 16 years. Cost of Power is the quickly climbing line, in spite of the fact that the number of kWh sold were rather unchanged between 2000 and 2012. Wholesale power, per kWh, has stabilized in 2013 and 2014. The lines along the bottom include labor, depreciation, interest, benefits and transportation.

- ◆ Power
- Labor
- ▲ Depreciation
- × Interest
- ✱ Benefits-(Retirement/Health/etc.)
- Contracted Maint. (ROW, poles, etc.)
- ✎ Transportation Clearing

OCTOBER is  Month

Join us for coffee and cookies
Wednesday, Oct. 8, through
Monday, Oct. 20, from 7:30 a.m.
to 3:30 p.m. at both our Baudette
and Littlefork offices.

YOUR 2013 DOLLAR



Where it came from:

Farms and Homes	\$ 9,457,674
Small Commercial	3,817,707
Large Commercial	0
Seasonal	575,013
Street Lighting	30,338
Consumer Penalties	69,492
Rent from Electric Property	47,802
Total Revenue	\$ 13,998,026

Where it went:

Operation Expense:

Purchased Power	\$ 8,333,789
Operations	688,983
<i>(includes supervision, safety, mapping, cable locating, etc.)</i>	
Consumer Accounts	322,094
Consumer Services and Information	295,041
Sales	37,590
Administrative and General	1,341,168

Maintenance Expense:

Maintenance of Distribution Plant	\$ 553,426
<i>(includes right-of-way maintenance, outage costs, etc.)</i>	
Depreciation	1,001,813
Interest	808,073
Other Deductions	0

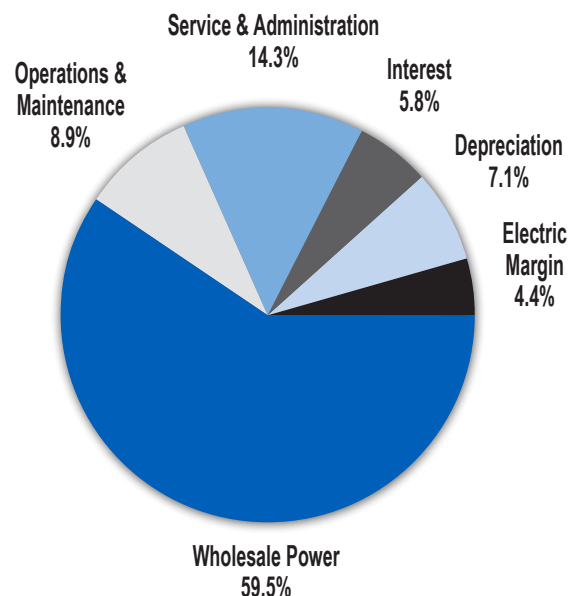
Total Expense \$ 13,381,977

Electric Operation Margin for Year	\$ 616,049
<i>(Revenue less expense)</i>	
Interest and Dividend Income	205,109
Misc. NonOperating Margins	(11,624)
Generation and Transmission Capital Credits	72,727
<i>(Minnkota Power Cooperative)</i>	
Other Capital Credits and Patronage Dividends	50,940

Net Patronage Capital Assigned \$ 933,201

HOW YOUR 2013 DOLLAR WAS SPENT

Revenue from the sale of our service amounted to \$13,998,026 as of the year ending December 31, 2013.



STATEMENT OF FINANCIAL CONDITION



What we own:

Lines and General Equipment	\$ 40,895,446
Less: Provision for Depreciation	14,843,861
	\$ 26,051,585

Cash:

General Funds	\$ 353,766
Special Funds	20
Investments	1,523,350
Temporary Investments	350,000
Notes Receivable Net	341,250
Receivables	1,835,181
Material and Supplies	586,721
Prepaid Expenses (includes insurance)	134,383
Other Current and Accrued Assets (accrued revenue)	485,672
Deferred Debits (includes prepayments for engineering studies and benefits)	975,207

Total what we own

\$ 32,637,135

What we owe:

Long-Term Obligations	\$ 15,210,762
Current and Accrued Liabilities (includes accounts payable, taxes, interest, deposits, etc.)	3,107,183
Deferred Credits (includes member prepayments and small service territory transition)	661,668

Our Equity in Above Assets:

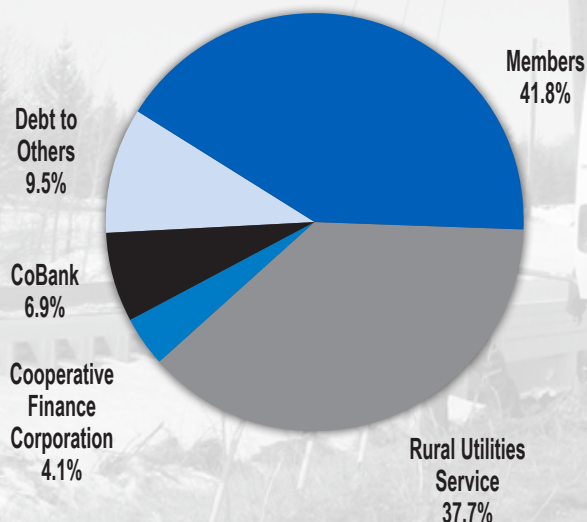
Membership Fees	\$ 26,715
Patronage Capital and Other Equities	13,630,807

Total what we owe

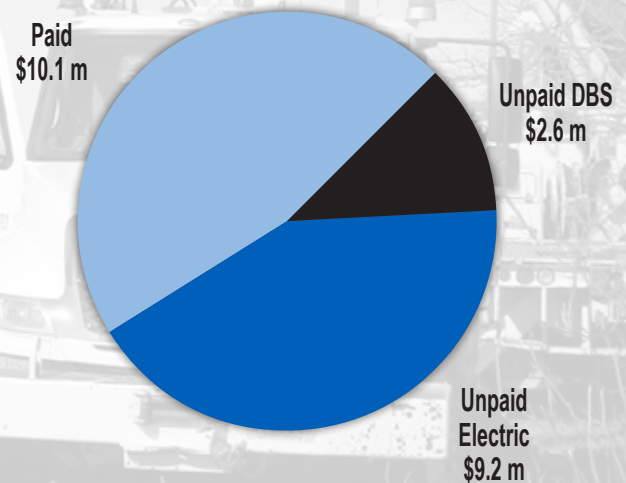
\$ 32,637,135

*Balance
Sheet as of
December 31,
2013*

WHO OWNS WHAT



CAPITAL CREDITS (as of Aug. 2014)



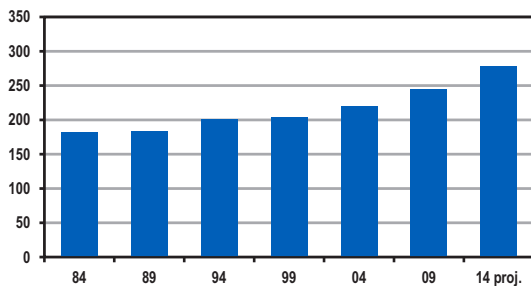
COMPARATIVE OPERATING STATISTICS



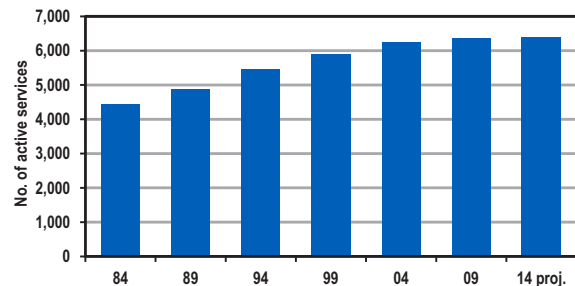
	2009	2010	2011	2012	2013	2014 proj.
Revenues	\$10,736,921	\$11,595,695	\$13,113,268	\$13,577,072	\$13,998,026	\$14,279,623
Cost of Wholesale Power	5,636,546	6,178,195	7,703,546	8,071,602	8,333,789	8,561,771
Operating Expenses	2,916,823	3,069,555	2,946,149	3,070,497	3,238,302	3,379,130
Depreciation	1,000,947	998,400	962,717	975,257	1,001,813	1,025,831
Taxes	0	0	0	0	0	75,000
Interest	907,672	872,989	836,221	805,454	808,073	813,189
TOTAL EXPENSES	\$10,461,988	\$11,119,139	\$12,448,633	\$12,922,810	\$13,381,977	\$13,854,921
Operating Margin	\$274,933	\$476,556	\$664,635	\$654,262	\$616,049	\$424,702
kWh Purchased	127,791,821	117,026,307	118,972,535	117,772,420	124,125,276	130,300,414
kWh Sold	119,651,800	109,176,084	111,141,990	109,678,468	116,394,570	119,615,013
Miles of Line	1,399	1,405	1,421	1,426	1,431	1,432
Connected Members	6,366	6,384	6,379	6,404	6,396	6,399
Average Residential Usage*	1,498	1,339	1,345	1,273	1,349	1,410
Average Residential Bill*	130.75	139.69	156.05	157.28	161.17	166.67
Average Residential Rate/kWh* (excludes seasonals)	0.087	0.104	0.116	0.124	0.119	0.118
Average Wholesale Cost to North Star per kWh Sold	0.0471	0.0566	0.0693	0.0736	0.0716	0.0716

* Monthly billed residential accounts

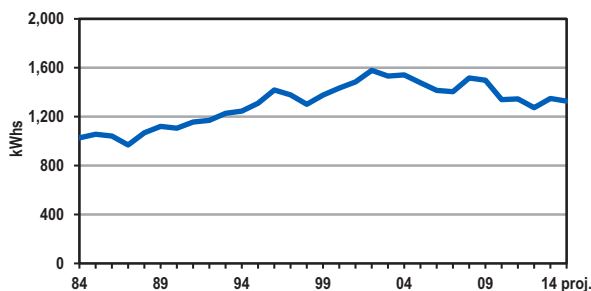
ACCOUNTS PER EMPLOYEE



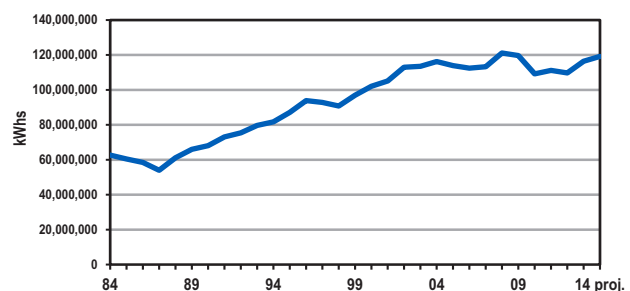
TOTAL ELECTRICAL ACCOUNTS



ELECTRICITY CONSUMED PER RESIDENCE



ELECTRICITY CONSUMED CO-OP TOTAL

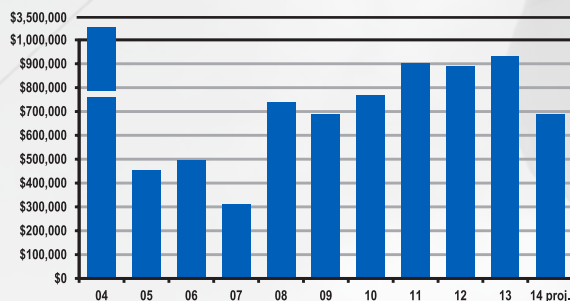


OPERATING COMPARISONS

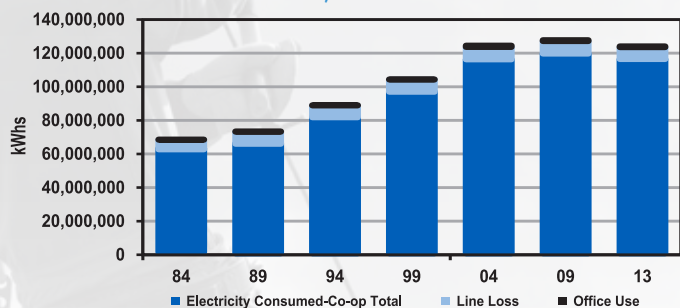


	New Services	Retired Services	Connects	Disconnects	Net Gain	Sec. Lights Installed	Sec. Lights Removed
1998	129	20	95	113	111	82	55
1999	133	16	103	102	134	77	42
2000	126	55	72	122	76	67	62
2001	117	17	82	103	96	64	44
2002	113	16	84	120	77	58	47
2003	127	17	74	133	68	51	50
2004	111	27	92	132	71	66	50
2005	87	17	80	137	30	43	34
2006	106	28	85	158	33	122	125
2007	69	27	112	189	-8	35	49
2008	62	52	126	188	0	33	45
2009	57	34	119	171	5	35	43
2010	44	70	130	153	21	24	50
2011	41	25	93	133	1	17	48
2012	63	30	97	137	23	21	40
2013	38	20	92	133	-3	18	26

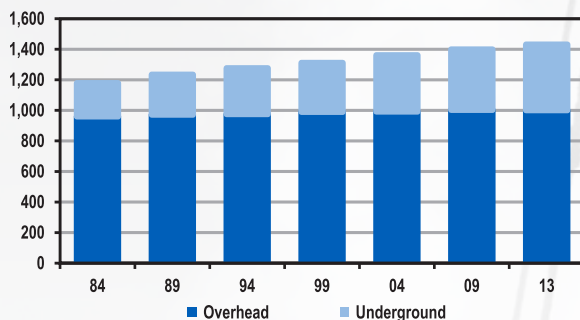
MARGINS



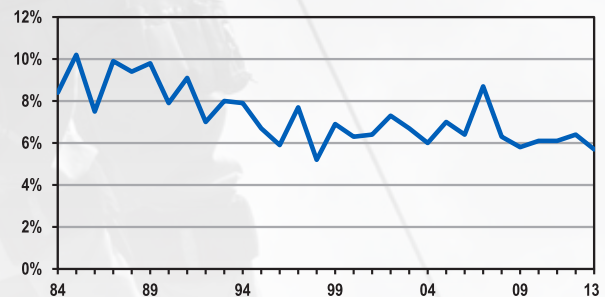
KWH SOLD, OFFICE USE AND LOSSES



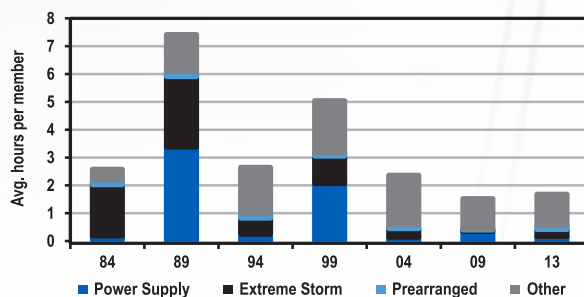
MILES OF LINE



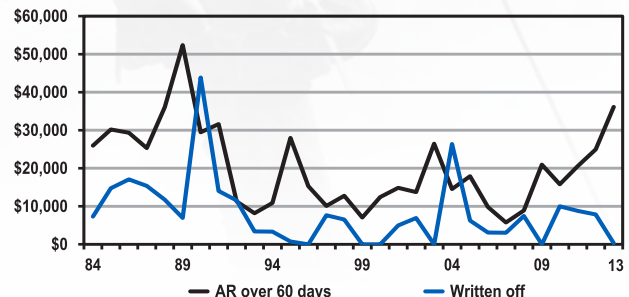
LINE LOSS



OUTAGE TYPES



BAD DEBTS AND WRITE-OFFS



LISTEN TO WHAT YOUR MOTHER TOLD YOU; IF IT SOUNDS TOO GOOD TO BE TRUE

IT PROBABLY ISN'T TRUE



I am sure that you have heard radio ads or have seen ads in newspapers and magazines that claim they can cut your heating bill by up to 50 percent by just buying their electric space heater. With the high price of heating in northern Minnesota, who wouldn't like to do that? I know I would, but the key wording in these ads is **UP**

TO. There is a lot of difference between 50 percent and **up to** 50 percent. The ad explaining the way you could do this was to turn the heat down in your house to as low as 50 degrees and move the space heater into the occupied room. The savings are not in the heater; it is the fact that you turned the heat in your house down to 50 degrees. They claim the space heater will not reduce humidity or oxygen, which is true, but it is also true that the space heater you buy at the local hardware store doesn't either. There are 3,413 Btus for each kilowatt-

hour, and the only way to get more is with heat pump technology. I have not seen nor heard of anything like that with portable electric heaters. In northern Minnesota, during the winter, one plug-in space heater is not going to heat a 1,000-square-foot home. My advice is that if you have a cold spot in your house and \$200 burning a hole in your pocket, go to your local hardware store, buy a space heater for \$50, and use the other \$150 to reinsulate your home or give it to your favorite charity.

METER SEALS ARE THERE FOR YOUR PROTECTION

If you or an electrician is performing electrical work at your home and that work requires opening meter sockets or load management equipment, it is important that you first contact North Star Electric Cooperative. Cutting or otherwise removing seals without our knowledge could pose a problem for you and the cooperative.

All of the metering equipment is owned, controlled and maintained by North Star Electric Cooperative. Meters can be dangerous if mishandled and that meter seal protects you and others from harm. Any seal may only be removed or cut if permission is granted by North Star Electric in advance, or

if the work has been deemed an emergency by an electrician. We realize there are instances when work needs to be done in a timely manner. However, North Star Electric must still be contacted.

If it is determined that loads have not been controlled during load control periods, demand charges will be applied to your billing. North Star Electric also charges a resealing fee should the co-op discover a seal has been removed without permission.



Highlights from the BOARDROOM

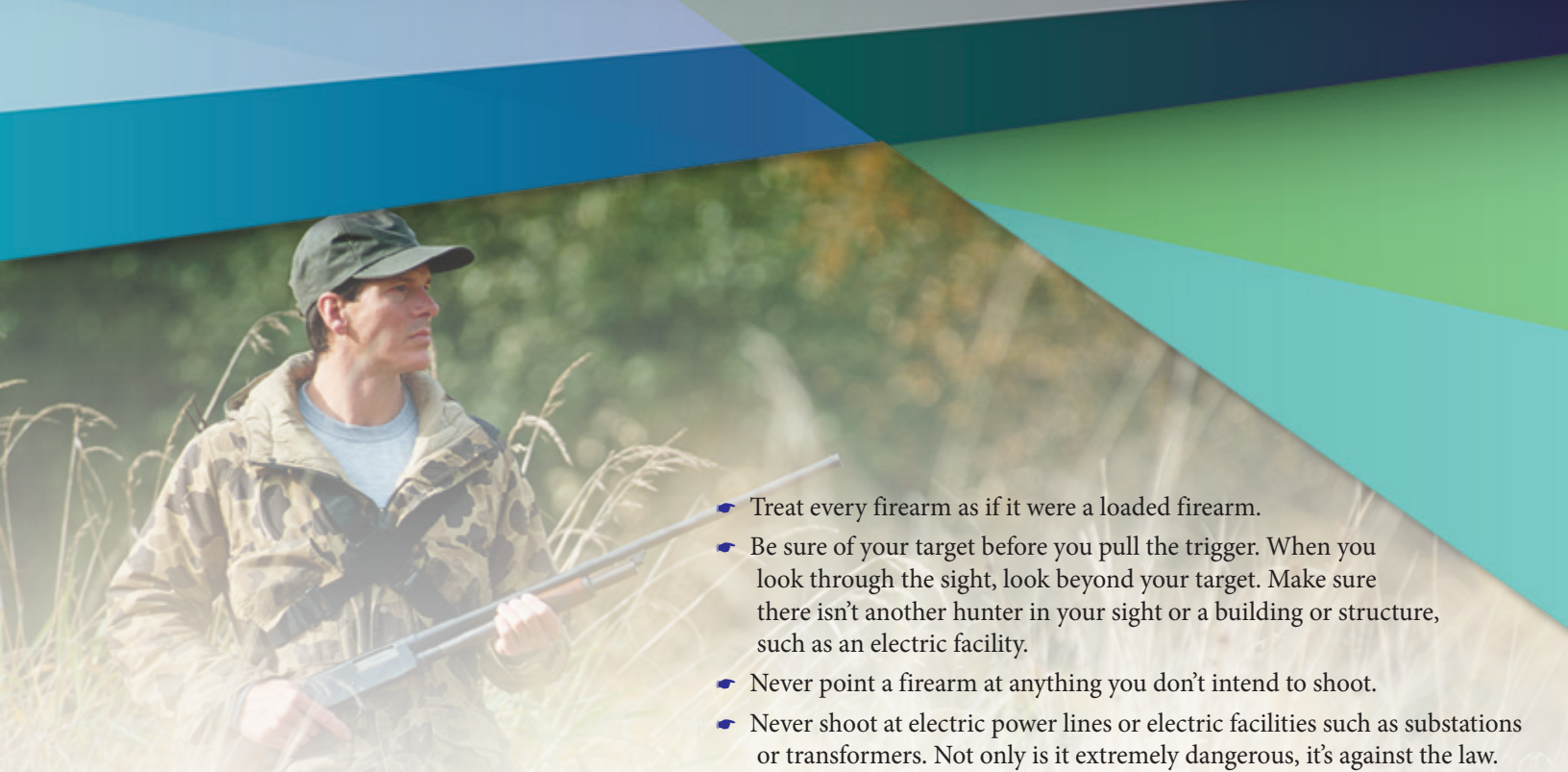
These are the highlights from the board of directors' Aug. 27 meeting. All board members were in attendance. Member James Sutch was also in attendance. In addition to routine action, the board voted to approve Director Trueman's attendance at three winter meetings via Skype or FaceTime and to amend the cooperative's mission statement to include the words "clean, affordable" and "member satisfaction." The board

also reviewed board district boundaries and the count of members within each. Member Sutch discussed his concerns regarding an outage and provided a suggestion to address it.

Staff reports included the financial report, meter reading date change, unclaimed capital credit donations to local charitable organizations, the loan fund advance, the upcoming annual audit, concerns with EPA proposals,

dual heat sales, CIP (Conservation Improvement Plan) rebates, distributed generation, Operation Round Up, a vacancy on the Operation Round Up board and outages.

Detailed minutes are available at the cooperative for member review. Regular board meetings are generally held the first Wednesday of every month. If you wish to speak with the board, or have an item that you would like to have placed on the agenda, please contact Manager Dan Hoskins at least two weeks in advance to be included on the agenda.



GUNS AND POWER LINES DO NOT MIX

Hunting is a Minnesota favorite, ranking right up there with the fishing opener. Before you head out to the tree stand, review these hunting safety tips:

- Treat every firearm as if it were a loaded firearm.
- Be sure of your target before you pull the trigger. When you look through the sight, look beyond your target. Make sure there isn't another hunter in your sight or a building or structure, such as an electric facility.
- Never point a firearm at anything you don't intend to shoot.
- Never shoot at electric power lines or electric facilities such as substations or transformers. Not only is it extremely dangerous, it's against the law.
- Always carry a firearm so that the muzzle is under control.
- Firearms must always be unloaded when carried into camp or not in use.
- Make sure the barrel and action are clear of obstruction.
- Unattended firearms must be unloaded.
- Never climb a fence or ditch with a firearm. Never climb into a tree stand with a loaded firearm – remove the ammunition first.
- Never shoot at flat, hard surfaces, or the surface of water. The bullet can hit the surface and travel parallel to it for a long distance.
- If you see a power line on the ground, don't touch it! Touching an energized power line could kill you. Notify the local utility of a downed line as soon as possible.
- Always avoid alcohol and drugs while hunting.

PREVENT



ACCIDENTS

With witches, goblins and superheroes descending on neighborhoods, here are some safety tips for parents to help prepare their children for a safe and enjoyable trick-or-treat holiday.

- 🎃 Wear light-colored or reflective-type clothing so you are more visible.
- 🎃 Don't hide or cross the street between parked cars.
- 🎃 Cross the street only at corners and look both ways before crossing the street to check for cars.
- 🎃 Walk on the sidewalk and not the street.
- 🎃 Plan your route and carry a flashlight to light your way.
- 🎃 Use face paint rather than masks for better visibility.
- 🎃 Visit homes that have a porch light on.
- 🎃 Never go into a stranger's home. It's OK to receive candy from outside the door.
- 🎃 Inspect all treats before your child eats them.
- 🎃 Make sure an adult goes with young children.
- 🎃 Use glow sticks or flashlights in pumpkins instead of candles, which are a fire risk.
- 🎃 Be sure that the path and stairs are well lit and free of obstacles.

Proposed EPA carbon rule could cost millions

A controversial proposed rule from the U.S. Environmental Protection Agency (EPA) could cost Minnkota Power Cooperative and North Star 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 Power 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.



America needs an
**ALL OF THE
ABOVE STRATEGY**
to keep electric bills affordable

ACTION.COOP