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November 2011

MREA REPORT

On Edison

My grandfather was friends with Henry Ford. How Arnold became so, isn't entirely clear. However, they were good enough pals that when Ford was vacationing in Harbor Beach, Michigan where Arnold Glaess had a home, he lent Ford who forgot his wallet, sufficient dough to return to Detroit. Ford at the time was one of the richest men in the world. My grandpa was a school teacher and made a bit less. There's more to this story and it involves my grandmother.

Vincentia was a seamstress and good enough to open her own shop back when few women did that sort of thing. Since Thomas Alva Edison and Ford were good friends, the Wizard of Menlo Park, as Edison was called back then, got to know my grandmother well enough to ask her to sew clothes for his kids. She must have been happy her grandson matriculated to the electric cooperatives because she occasionally said the invention of electrification was about the coolest invention she could recall in her century of living. Edison, of course, established the first central station power plant on Pearl Street in New York and had a go at the incandescent bulb which more

than a 100 years later, is banned thanks to Congress. Edison also pioneered the holding company which allowed few private power companies to control their national network which also included banks, railroads, engineering firms and the like. The passage of the Public Utility Holding Company Act or PUHCA (1935) put an end to that when it required that utilities could not own companies that weren't neighbors. Congress repealed that Act in 2005.

Edison came to mind when the tributes to Steve Jobs poured forth after his death at an all-too-young 56 from pancreatic cancer. When asked what market research went into the iPad, Mr. Jobs replied: "None. It's not the consumers' job to know what they want." A curious observation, given the hundreds of thousands of apps and opportunities Jobs provided to consumers with the iPhone, iPad, and other Apple technologies. Another New York Times columnist said the difference between Edison and Jobs was Edison was enamored with his "wizard" moniker and scattered on most everything as opposed to Jobs who settled on being quite good at information technology.

The utility industry largely framed by Edison, has long channeled that scattered approach witnessed by deregulation and environmental efforts to dictate "appropriate" sources for generation. Jobs may have done it differently and perhaps much better too.

MREA Board Addresses Association Issues

The MREA Board of Directors heard overviews on the development of a corporate scorecard for MREA to measure membership satisfaction, lent direction to expand our grassroots network for the 2012 legislative session and established a policy for tuition reimbursement. State Rep. Michael Beard also apprised the Board of the Legislative Energy commission efforts. A summary of Board activity is enclosed.

EPA Expensive Exaggerations

Recently the *LA Times* called the Republican controlled U.S. House of Representatives "the most anti-environment Congress in history." That dubious historical view is based on the House's opposition to regulating fly ash as a hazardous waste, delaying the cross-state air pollution rule designed to wring even more sulfur and nitrous oxide from power plants, trying to deny EPA the right to regulate carbon dioxide emissions and the recent advancement to create an interagency review of EPA's claim that "industry estimates are routinely exaggerated and the clean air rules can create jobs."

EPA Administrator Lisa Jackson added her own denunciation when she said "proposed legislation, such as a measure being considered in the U.S. House (H.R. 2273 since passed) to block pollution controls on coal ash would result in 'gutting the heart of the Clean Air Act.' That act (CAA) was originally passed in 1970 with various amendments adopted ever since. That prompted

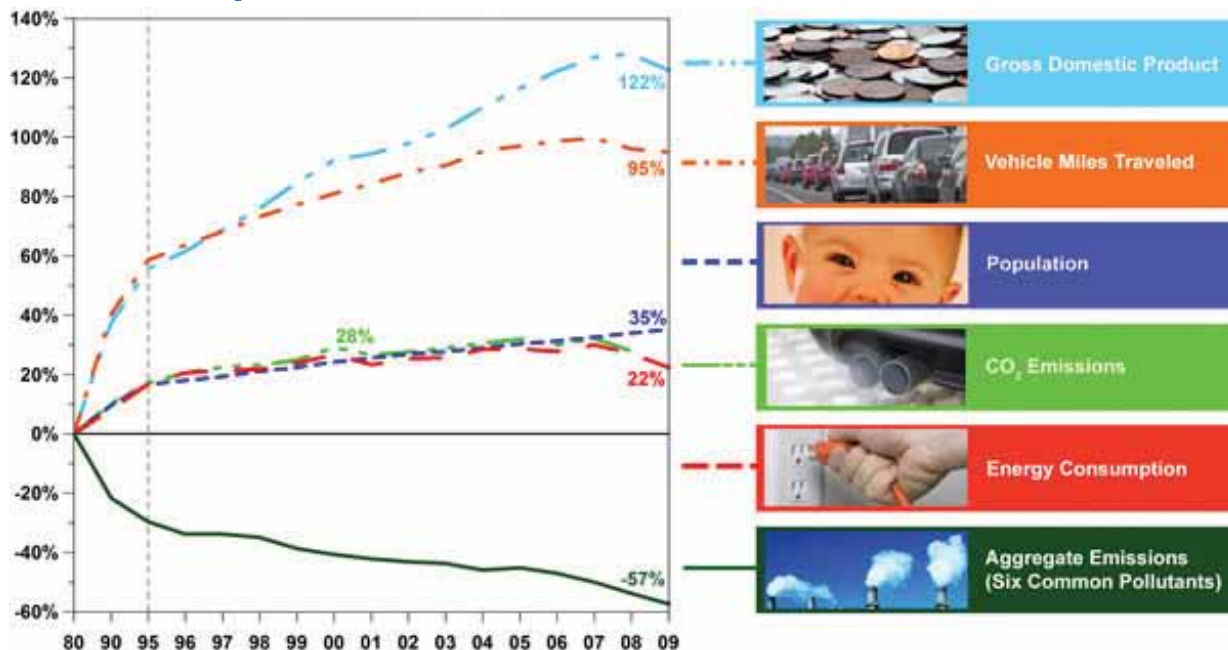
NRECA honcho Glenn English to observe: "The Clean Air Act is now nearly a half-century old and was last amended more than two decades ago in 1990. In the intervening years technology has changed; our understanding of the environment has changed; and the electric utility industry has changed. Today, regulators are trying to modify the old regulations to fit new circumstances." He added "a new CAA really should be considered by Congress."

That would be a good thing and one MREA recently suggested to Senator Franken's state director. Doing so, of course, would be a more difficult task than determining who pays for a new Viking's play land. Still, it has to be done because the slew of regulations to implement those long-ago laws have resulted in 432 environmental lawsuits so far this year. What are they fighting over? It can't necessarily be emissions reductions. Take a look at this chart from <http://epa.gov/airtrends/agrends.html>:

Annual emissions estimates are used as one indicator of the effectiveness of our programs. The graph below shows that between 1980 and 2009, gross domestic product increased 122 percent, vehicle miles traveled increased 95 percent, energy consumption increased 22 percent, and U.S. population grew by 35 percent. During the same time period, total emissions of the six principal air pollutants dropped by 57 percent. The graph also shows that between 1980 and 2008, CO₂ emissions increased by 28%.

That drop is remarkable, but it's seldom mentioned. Instead EPA touts any number of regulations for reducing this by that percentage. Actually, the reduction is based on what has already been eliminated, and that's quite spendy. Another observation EPA employs is the number of "premature" deaths these regulations will prevent without acknowledging that most deaths are, in fact, premature. Still EPA is, after all, a government

Comparison of Growth Areas and Emissions, 1980-2009



Continued ... EPA Expensive Exaggerations

agency whose veracity shouldn't be challenged. So you would think:

- Take mercury. Significant amounts can affect neurological development in children affecting, among other things, their IQ. That's why EPA is increasing restrictions through its *Hazardous Air Pollutants* (also known as NESHAPs – National Emission Standards for Hazardous Air Pollutants) saying it will boost the economy by \$53-\$140 billion and prevent upwards to 17,000 premature (again, when aren't they?) deaths. EPA bases those savings not on mercury, but on "particulates" it already regulates. Particulates? That would be the bits of coal imitating space flight a bit larger than a neutrino. For the inquisitive, the particulate is less than 2.5 parts per million or the number of tight spirals tossed by [Donovan McNabb](#). Airborne dust in your very own house is hundreds of times greater and would be a great marketing scheme for Pledge. Yet, EPA pegs the value of mercury reduction equivalent to 25 times Minnesota's budget deficit. What really gives?

According to NERA Economic Consulting, the impact of mercury on infants amounts to .00209 IQ points. Yes, that would be correct; it cannot be measured. The NESHAP regulations may force the closure of 8% of the nation's generation and retrofits which would be considerably more than say, equipping each new born one of those Baby Einstein DVDs. Premature deaths? Ask yourself: How can it be that lower levels of exposure to particulates are killing a large number of people when our everyday exposure to higher levels of particulate material is

not? The answer: EPA wants to end the use of coal for electric generation (and they don't much like Natgas either).

- An environmental group called Earth Justice said, "Coal ash is a toxic national problem." The Association, whose motto is *Because the earth needs a good lawyer*, added that "current management exposes people to the risk of large-scale disasters." Both statements are false. EPA in 1988 and 1999 told Congress that fly ash isn't hazardous. EPA also did a nationwide evaluation of an ash storage pond. Their findings: "No unit had been rated unsatisfactory." Regulating fly ash would cost hundreds of millions of dollars or close some plants. Additionally, the trade association for road builders said regulating fly ash as a hazardous waste would pretty much end that concrete component and add a \$104.6 billion in added cost to your transportation pleasure over the next 20 years.
- The Cross State Air Pollution Regulation would further reduce SO₂ and NO_x from present levels. Doing so according to EPA: "would yield \$120 to \$280 billion in annual health and environmental benefits in 2014, including the value of avoiding 13,000 to 34,000 premature deaths. This far outweighs the estimated annual costs of CSAPR. The National Economic Research Associates said CSAPR and Utility MACT (the mercury rule) would see 1.4 million jobs lost by 2020. The cost: \$120 billion and the sidelining 55,000 MW of generation.
- Then there's haze. The CAA gives states environmental enforcement

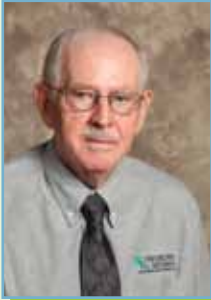
powers unless it doesn't which is the case in North Dakota. Minnkota dropped \$40 million in technology that will reduce NO_x (a contributor to haze) upwards to 60%. EPA insists on different technology that when tested didn't work. Doesn't matter, EPA went federal on ND and Minnkota insisting that the G&T drop one-half billion dollars on it-wont-work technology despite the fairly obvious fact that if all power plants in ND would close it would make...no...visible....difference.

- In 1798 [Thomas Malthus](#) wrote the *Essay on the Principle of Population* which pretty much predicted population couldn't grow beyond our capacity to feed. By the time you read this, or not, the world's population is estimated to be 7 billion with another billion within 14 years. India and China are growing exponentially. Expanding African countries are also facing serious water shortages. Desalination could meet that need but doing so requires enormous amounts of electricity – terawatts of the stuff (1 million MW). Solar and wind can do some of that, but since it's about 1% of the total electric production, the energy source to do so will be coal, natural gas and nuclear. EPA, which is all about shuttering coal plants, (just wait until they release their regulation on carbon emissions) because of their suspected contribution to climate change, won't have any effect on those countries, nor on others who see energy as their ticket to sustainability if not prosperity. The outcome is our country will see higher and higher electric rates with more shipping terminals built to send our coal to other countries. Tell me if I'm wrong.

Dale Mangskau

ES Knickerbocker was one of the longest serving directors in Minnesota, if not the nation. "Nick" clocked close to 50 years directing the phenomenal growth of Wright-Hennepin Electric. You have to wonder if Dale Mangskau had similar aspirations

when he first started at Freeborn-Mower co-op in 1949 as the co-op's bookkeeper. Dale retired 44



years later in 1993 as the co-op's Assistant Manager of Operations. A week later Dale was elected to the co-op's Board of Directors, an unusual membership promotion that is also true with South Central Electric Board Chair Al Haler and Sioux Valley Energy and Basin Electric Director Gary Drost. Dale was also elected by the Freeborner Board to be their representative on the Dairyland Power Board giving him a rare electric cooperative trifecta. Even rarer is the 62 years Dale has labored, and labored well, in the co-op vineyards. Imagine, three score and two years which is most assuredly the longest co-op tenure, here or nationally. It is an incredible, and productive, run.



The Cost of Carbon

Congressman John Kline met with wind opponents in Goodhue County who are complaining that the MN PUC is ignoring their various complaints. That meeting ties in with an article Basin Electric sent me entitled: "Does wind power reduce carbon emissions." The short answer is no. Carbon emission avoidance per MWH of wind is 39.6 pounds. If natural gas to firm the wind is used (and for wind to have any value, it generally is) the carbon emission avoidance is 2.2 pounds. The cost to reduce a ton of carbon dioxide using wind is between \$830-1,149 – an astonishing amount. (You may also recall the Obama Administration calling for a \$20/CO2 tax, which looks quite inviting by comparison).

Now to Natgas: Among that fuel's environmental attribute is an approximate 50% less carbon. However, the release of methane from leaking gas pipelines reduces that attribute to 25%. If carbon capture and sequestration was successfully commercialized (and it's always 10-15 years down the line), CO2 from coal-power generation would drop by 90%, far better than what Natgas could produce.

Finally, the *NY Times* featured an article entitled: "Where did global warming go?" The author noted that Europe and Asia are aligned with the science, but only 59% of Americans believe it to be so. Among the GOP the percentage of apostates is even higher. Of note was a Pew study that showed 70% of Chinese, Indians and South Koreans willing to pay more for energy to address climate change. Only 38% would accede to higher rates in the U.S. As telling was only 27% listed climate change as the "most pressing environmental worry."

Basin's New Boss

Basin Electric Power Cooperative Board Chairman, Cliff Gjellstad, announced today that its board of directors has named Andrew M. Serri as Basin's next chief executive officer and general manager. Serri, 50, will begin his tenure when Ron Harper, Basin's current chief executive officer and general manager, retires at the end of the year. Serri is the fourth person to lead Basin since it was formed in 1961.

Serri has been with Ameren Corporation in St. Louis, MO for the past eleven years. Since 2005, he has served as president and chief executive officer of Ameren Energy Marketing. Prior to his tenure with Ameren Corporation, he was employed with Progress Energy (formerly Carolina Power & Light) in Raleigh, NC. Before that he was employed with American Electric Power in Columbus, OH for eighteen years. MREA has invited Mr. Serri to address MREA's annual meeting which is scheduled for February 20-22, 2012.



G&Ts meet with Division of Energy Resources on CIP Reductions

Representatives from Dairyland Power Cooperative, East River Electric Power Cooperative, Minnkota Power Cooperative, Great River Energy, and MREA met with staff from the Minnesota Department of Commerce, Division of Energy Resources (DER), to discuss legislation passed during last year's legislative session that allows the DER to approve Conservation Improvement Program (CIP) Plans with less than 1 percent savings on the consumer side of the meter.

After laying out key differences between electric cooperatives and other utilities – particularly our lack of large commercial and industrial loads, lower revenue per mile of line and lack of density on our lines – and the challenges those differences present when it comes to meeting the CIP goal, we asked DER Director Bill Grant if he was willing to grant a 0.5 percent reduction for all cooperatives.

Grant said he was unwilling to grant a blanket reduction for all G&Ts, but the division would consider reductions for G&Ts on a case-by-case basis. He said the decisions to allow a lower goal would be based on:

- The cooperative's historical conservation record (going back three years)
- Customer class make up
- Load growth
- The results of a conservation potential study within the cooperatives service territory
- Other factors including cost of CIP programs, participation rates among members and local economic factors.

Grant added that the key factor in determining whether to lower the goal or not would be the conservation potential study. He also said that he wants the CIP goal to be "aspirational" (sic) and have electric cooperatives reaching to make meet the goal.

To request a reduction, G&Ts must send a letter to the DER formally requesting a reduction and outlining the reasons why it is deserved based on the criteria mentioned above. The DER would prefer that the requests come from G&Ts rather than distribution cooperatives.

Grant said the DER would prefer reduction requests be made during the normal CIP plan approval process, which is underway right now, though there is nothing in statute that would prevent a G&T from requesting a reduction any time during the year. 2012 CIP plans are currently being reviewed and final approval is expected by the beginning of next year.

Although nothing is final at this point, a number of G&Ts are expected to request reductions this year and the response to those requests will determine our legislative approach on this issue in the upcoming session.

All about Us

Connexus Energy counts the most miles of line with 8,860 with East Central Energy and Lake Country Power each spread over 8,000 miles themselves (which exceed MN Power's 6,489 miles and Otter Tail's 3,801 miles). At the other extreme is Arrowhead Electric with 555 miles and Cooperative Light and Power with a tad less than 1,000 miles. Dakota Electric with 27.4 consumers per mile leads in desirable density and Renville-Sibley, Red Lake, Redwood, South Central, Agralite, PKM, Traverse and MN Valley L&P with two or less, not so much. Nationally, as measured in CFC's *Key Ratio Trend Analysis*, the average MREA member has ~18,000 consumers compared to the national average of 13,000. The median for us, however, is nearly 6,500.

If you're still counting, Minnesota wind statistics (1/2011) show statewide wind capacity at 2,198 MW with some 300 MW under construction, which ranks Minnesota as 4th in the nation for wind energy.

Minnesota ranks 8th in nation for energy-efficiency policies

Congratulations to us: Minnesota is #8 on the energy efficiency hit parade while North Dakota is nearly last. That statistic may have off-set the Gophers gridiron set-back to the Bison of North Dakota State except the Peace Garden state has a billion in the bank and Minnesota owes the bank two to three times that amount.

2012 MREA and REMA Meeting Dates

Below are key MREA and REMA meeting dates. Keep an eye out for additional dates in our **new MREA Event Catalog**, which members will receive at the end of this month! Don't forget, you can always view upcoming events at www.mrea.org>MREA & REMA Events>Register for Events.

MREA Annual Meeting

1st General Session	Feb 20	Crowne Plaza, St. Paul
Legislative Day	Feb 21	Crowne Plaza, St. Paul
2nd General Session	Feb 22	Crowne Plaza, St. Paul

MREA District Meetings

District 1	Jan 17	Beltrami Electric Co-op, Bemidji
District 2	Jul 12	Sugar Lake Lodge, Cohasset
District 3	Jul 11	Arrowwood Resort, Alexandria
District 5	Jul 19	Brown County REA, Sleepy Eye
District 6	Jul 18	Cabela's, Owatonna

Energy Issues Summit & Pre-Conference

Social Networking for Directors	Jul 31	Civic Center/Kelly Inn, St. Cloud
New Director Orientation	Jul 31	Civic Center/Kelly Inn, St. Cloud
NRECA 930.1 Ethics & Governance	Jul 31	Civic Center/Kelly Inn, St. Cloud
Energy Issues Summit	Aug 1-2	Civic Center/Kelly Inn, St. Cloud

Grassroots Visits (*dates are tentative)

Congress and Senate will be in recess during the scheduled NRECA May Legislative Conference. Please stay tuned for a postponement or cancellation.

February D.C. Visit	Feb 6-8	Phoenix Park Hotel, Washington D.C.
Grassroots Day	*Date TBD	MN Capitol, St. Paul
*NRECA Legislative Conf	Apr 29-May 2	Hotel TBD, Washington D.C.
September D.C. Visit	Sep 17-19	Hotel TBD, Washington D.C.

REMA Meetings

Member Services	Jan 19-20	Best Western Kelly Inn, St. Cloud
Line Superintendents	Feb 1-3	Holiday Inn, St. Cloud
CEOs/Board Chairs	Apr 11-12	Le St-Germain, St. Cloud
Financial Managers	Apr 19-20	Airport Embassy Suites, Bloomington
Member Services	Jun 20-22	Thumper Pond Resort, Ottertail
Financial Managers	Aug 22-24	The Inn on Lake Superior, Duluth
Line Superintendents	Aug 29-31	Breezy Point Resort, Breezy Point
CEOs	Sep 5-7	Thumper Pond Resort, Ottertail
Engineers & Operations	Sep 19-21	The Inn on Lake Superior, Duluth

Two Options for Online Learning

Time to Renew for Online Energy U

The MREA On-line Energy University has gotten off to an excellent start this year with half – 22 out of 44 – of our distribution co-op members subscribing. The online university now offers more than 85 courses on energy, electricity, safety, customer service, human resources, finance, and management/supervisory issues. The courses are not webinars, but short, self-guided tutorials to be taken on a student's own time.

For first year, early-adopters in 2011, MREA offered a \$300 discount, so subscribing co-ops paid \$399. Subscribing in 2012 will still only cost an annual subscription of \$699. The fee covers a co-op's entire staff and directors.

"The classes are good gap-fillers for employees and directors whether they are new or are moving up through the ranks," said Alison Deelstra, director of education and communication at MREA.

Live Web Events

Another educational area MREA will break into in 2012 is live web events.

The major difference in a live web event and the Energy U, is the University is not interactive and can be done at the user's own pace and schedule. The live web event is identical to a face-to-face meeting, except each person is on the phone and in front of their computer. Questions can be asked. Participants can hear each other and see the same visuals (slides, video, etc). Some topics work better as a live event, rather than informational, user-led training.

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MREA Board of Directors

Meeting Summary

October 18-19, 2011

The Minnesota Rural Electric Association Board of Directors met on Tuesday, October 18 and concluded business the following day, October 19. The following is a summary of reports and Board action:

- Manager Mark Glaess addressed MREA's efforts to prepare for the 2013 legislature to include urging member-systems to hold legislative information dinners, a high level energy overview for associate members and the Erickson lectures on the cost-benefit of mandates and environmental regulation for agricultural, business and manufacturer allies. Glaess also provided an update on the proposed USDA/EPA "tour" initiated by MREA.
- Senior staff provided an overview on MREA's Corporate Scorecard designed to measure the effectiveness of MREA's program and service offerings.
- Director of Education and Communication Alison Deelstra covered recent workshops and said the Distributed Generation workshop was exceptionally well-received noting that DEA VP of Regulator Services Doug Larson was particularly an effective presenter.
- Director of Government Relations Lee Sundberg reviewed the recent legislative planning session which attracted 30 participants from MREA member-systems and noted an upcoming meeting w/ the Director of Energy Resources to discuss MREA's position on CIP and net metering.
- Kurt Kumlin, Director of Loss Control Services reported on recent department activities including an overview of recent RESAP accreditations.
- Controller Melissa Stachovich said savings from switching health providers reduced the MREA budgetary deficit but observed that MREA may not meet financial targets by year-end.
- The Board heard from State Rep. Mike Beard and from GRE Counsel Eric Olsen who discussed GRE's meeting w/ North Dakota Attorney General Wayne Stenehjem regarding the contemplation of challenging Minnesota's coal moratorium.
- MREA Counsel Hap Levander noted that he will represent Red River Electric before the MN Court of Appeals which will hear the City of Moorhead's efforts to overturn a lower court compensation decision. Hap also highlighted his efforts on RUS regulation reviews.

The MREA Board took the following action:

- Appointed Connexus Director Ken Fiereck to fill the unexpired term of Don Jacobson on the MREA Resolutions Committee. Jacobson earlier retired from the Connexus Board.
- Selected the Audit firm of Cummings, Keegan, & Co. PLLP.
- Completed the evaluation and salary consideration for MREA management.
- Adopted an education reimbursement policy for MREA employees.



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continued...2012 MREA and REMA Meeting Dates

In 2012, MREA will be utilizing a company called Continuum Training for live web events. MREA has used Continuum for over ten years as a resource for experienced trainers on utility topics such as customer service, collections and disconnects, communications and supervisory and management skills. Most of their trainers have previously worked for electric cooperatives.

These web events will be offered on specific dates and will run for 90 minutes; 60 minutes, followed by 30 minutes for Q&A. MREA members will register and pay \$125, just like they do for MREA's face-to-face events. A few other statewide associations are already utilizing these web events, so our members will have the benefit of participating in the web event along with co-ops from other states.

The following are the topics planned for 2012:

- Stop Passing The Buck: Using Accountability That Creates Results
- The Art Of Reaching Agreement – Even When It Seems Impossible
- How To Reduce Bad Debt Expenses From Commercial Customers
- Useful Excel 2007 Tips
- Reading Financial Statements
- Leveraging Smart Meter Systems To Improve The Utility Bottom Line
- How To Become A Better Interviewer
- Microsoft Office 2010: The Hidden Secrets
- Fraud Detection
- Applying Critical Thinking And Problem Solving
- Ethics In The Workplace
- Maintaining Your Organization When Faced With Employee Turnover
- Talent Development



Uses Leading Edge Software Technologies
Highly Configurable Outage Prediction – Improves Accuracy
Enhancements are Customer Driven
Easily Integrates with Existing Software Applications
Low Total Cost of Ownership



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