



# NETWORK NEWS

A publication for directors and employees of NIPCO and its member systems

Fall 2011

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## Increasing Costs Trickle Down the Lines

Rising business costs at Basin Electric Power Cooperative trickled down into NIPCO's 2012 budget, leading to a 10.42 percent increase in NIPCO's composite electric rate for the coming year.

NIPCO's directors approved the 2012 budget and rate at their October meeting. NIPCO's new rate takes effect Jan. 1, 2012.

Basin Electric took an unusual step in July, announcing a rate increase effective Oct. 1, a rate which will remain in place through 2012. In its 50-year history, Basin Electric has had only two other mid-year rate increases. Rates are traditionally adjusted on the first day in a new calendar year.

While Basin Electric's new, higher rate began Oct. 1, NIPCO's directors decided NIPCO's rate adjustment would not begin until the new year. The approved 2012 NIPCO rate will begin recovering any shortfalls incurred because of the Basin Electric rate increase in the final three months of 2011.

maintain certain margin levels; interest and depreciation costs of newly constructed generation facilities moving into Basin Electric's rate; and the difficulty of selling surplus power because of east-side market conditions.

The North Dakota-based cooperative is NIPCO's main power provider, supplying about 80 percent of NIPCO's needs. Basin Electric's increased cost of doing business is sent on to its members throughout a nine-state region of the Midwest.

While Basin Electric has raised its rate to NIPCO, there are several factors acting to offset that increase:

- NIPCO's 25-year-old load management system will save an estimated \$3 million in demand charges during 2012.

- NIPCO owns 4.86 percent of the Neal 4 generating station near Sioux City. NIPCO has a contract to sell all its power produced there to Basin Electric through 2029. Basin Electric pays any Neal 4 expenses assessed to NIPCO by the power plant's majority owner.

- Basin Electric is contractually obligated to provide NIPCO with all needed power through 2050.

- NIPCO's rate design reflects current strategies in power supply and transmission rates.

"Basin Electric's rate has a huge impact on NIPCO's budget," said Kent Pauling, NIPCO executive vice president and general manager.

"That's because the majority of NIPCO's budget is power supply costs."

In addition to the Basin Electric power, NIPCO buys about 20 percent

### What forced Basin Electric's rates up?



- Cost of new generation facilities moving into Basin Electric's rate structure
- Loan agreements requiring Basin Electric to maintain certain margin levels
- Environmental standard compliance
- Difficulties selling surplus power on the open market

Basin Electric's announcement of its rate increase noted several forces pushing up its rate: new environmental and industry regulations; loan agreements requiring the cooperative

See "NIPCO Rate Adjustment" page 2

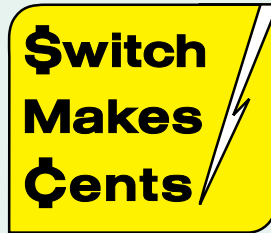
## Load Management Helps Control Power Costs

NIPCO's load management program has saved its members more than \$26 million since its inception in the mid-1980s.

It has not only helped keep rates down, but also saved electricity.

Called Switch Makes Cents, individual cooperative members agree to have a switch attached to equipment, including water heaters, air conditioning and irrigation systems. When electric demand approaches peak conditions, the switches can be activated from the NIPCO headquarters to periodically turn off equipment and decrease electric demand.

Controlling peak demand is important because the price of electricity increases as demand increases. Flattening the demand for electricity is just one of the ways NIPCO and its member cooperatives look out for the electric consumers who are the member-owners of the rural electric cooperatives. ❖



## Lakeport Substation Nears Completion

Construction on NIPCO's newest substation is nearing conclusion.

The sub will be energized in early December for testing. When equipment tests are completed, the substation will be fully energized before year's end.

Lakeport Substation is located northwest of Sloan in the Woodbury County REC service area. The new sub

will provide power to WinnaVegas, a casino business that is expanding its operations.

The substation has a 5 MVA transformer, which was placed into the substation Oct. 24.

A contractor built a 5.5-mile tap line to bring power to the substation from the south. ❖



## NIPCO Rate Adjustment

*continued from page 1*

of its power needs from Western Area Power Administration, the agency marketing power produced by Missouri River dams.

"The rate we pay for WAPA power is expected to remain steady for the next 10 years, barring unforeseen circumstances," Pauling said.

"Basin Electric, on the other hand, expects its rates to rise a bit more in 2013 and hold fairly steady for a few years before beginning a gradual increase into 2020."

While electric rates are increasing, NIPCO's sales growth has slowed. The years 1998 through 2010 averaged about 7 percent growth per year for the cooperative. 2011's sales have grown, but at a much slower pace than previous power supply forecasts had predicted.

For the decade 2012 through 2021, NIPCO's annual average sales growth is expected to be 1.54 percent, an estimate created by a recently completed load forecast study. ❖



*NIPCO crews, left, brought in a crane to lift the 52,800-pound transformer into place at Lakeport Substation on Oct. 24. Above, electrician foreman Josh Schiff, left, and Jason Stock, electrician, assemble equipment at the substation.*

## ***New Generator to Supply Standby Power at NIPCO***

NIPCO's nearly 50-year-old building will have a new auxiliary generator by the end of the year.

The new 150-kW diesel-powered, three-phase generator sits outside the building and will be capable of running 25 hours on its 309-gallon tank, powering all essential operations within the building. The new generator, painted a bright green, will replace a 100-kW single-phase generator installed inside the building in 1964 when the building was constructed, and another 20-kW generator added in 2000 to power all mission-critical computers in the headquarters building.

Parts are not readily available for the original building generator, although it starts faithfully at 6 a.m. every Monday for a 30-minute test run. The old generator will be sold once the switch-over has been made.



*A contractor begins boring a route for the new underground electric service to NIPCO's headquarters building.*

North West REC has installed a new transformer for the building's electric service and bored in new conduit from the pole. An electrical contractor will install a switch that detects a power outage, fire up the new generator and make the change to auxiliary power.

Part of the project includes installing all new breaker panels in the basement to upgrade the headquarters building's electric system. ❖



*Dave Rolfes, procurement and equipment manager, on ladder, and Steve Haringa, crew foreman, unstrap the new standby generator after setting it in place with a boom truck.*



*Crews from North West REC, which serves power to the NIPCO headquarters building, put up a new primary riser to feed NIPCO's new building transformer.*

## First FEMA Retrofit Project Gets Under Way With Selection of Contractor

Contractor IES Commercial, Inc. of Holdrege, NE., will build 54 miles of line for NIPCO in 2012 in the first of a three-part hazard mitigation project.

NIPCO's board of directors approved the \$6.5 million contract at its October meeting. The line runs east-west between Sioux Center and Primghar, and north-south between Primghar and Cherokee County.

Work is expected to begin early in 2012 and to be conducted mainly while farm fields are open.

This project is one of three that are part of a \$27.7 million retrofit of 151.14 miles of NIPCO's oldest transmission lines. The Federal Emergency Management Agency has set aside up to \$20.7 million to fund 75 percent of the construction costs. Iowa's emergency office will pay another 10 percent while NIPCO covers the remainder.

The goal is to make the electric system less susceptible to future severe weather damage. The project followed Iowa's disastrous 2008 floods and tornadoes and is part of FEMA's Hazard Mitigation Grant Program.

The three projects must all be completed within a three-year window which expires in March 2014. Two more construction contracts, each covering about 50 miles of line, will be sent out for bids in 2012.

The phased construction plan coordinates with NIPCO member systems, which have similar retrofit projects, and minimizes power disruptions.

Since the 2008 storms that led to the FEMA project, studies helped identify which transmission lines qualified for retrofitting, and an archaeological team surveyed about 70 miles of the line route to identify any historic sites that should be avoided during construction work.

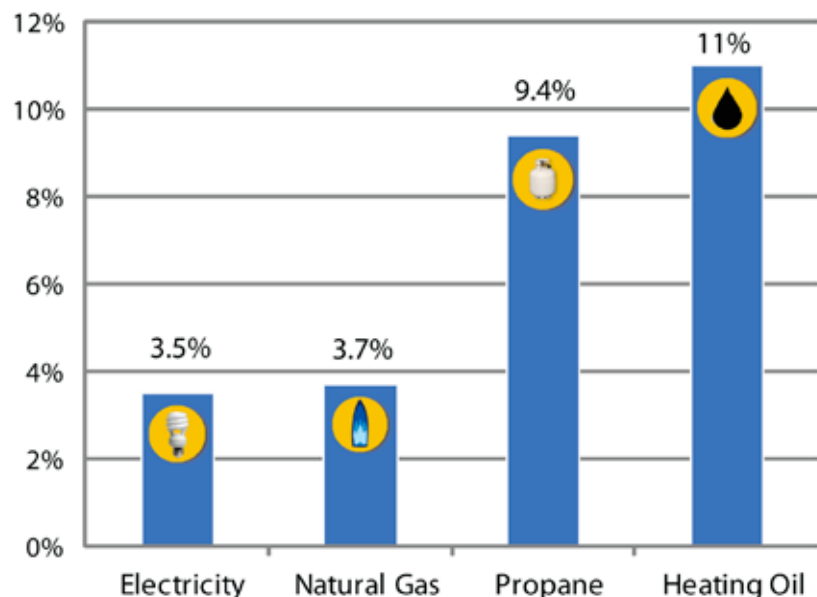
DeWild Grant Reckert and Associates Co. of Rock Rapids, Iowa, is NIPCO's consultant on the project. ❖



Troy Metzger, project manager from DGR, seated second from right, opens and reads bids from construction companies interested in securing a NIPCO contract. Around the table are Steve Ver Mulm, vice president engineering and operations; Kent Pauling, executive vice president and general manager; Ken Argo, consulting engineer; Chad Barthman, engineering assistant and safety coordinator; and standing, Alex Richter, engineer.

### Electricity prices remain stable

Compared to other types of home heating fuel, electricity prices have remained the most stable over the past 10 years. This graph shows the average annual price increase from 2000 to 2010 for each fuel type.



Source: U.S. Energy Information Administration (EIA) September 2011 data

## Field, Fence Line Fires Damage Transmission Poles, Endanger Power Supply

Two transmission poles in NIPCO's system were destroyed Nov. 16 in separate fires attributed to fence line or crop residue burning.

Potential damages from pole fires go way beyond the loss of a pole or two. The fires could have caused power outages to large areas and the fiber optic cables that carry NIPCO's system control data could have been damaged.

One pole fire was reported the morning of Nov. 16 northeast of Modale on a line that taps power from a NIPCO main transmission line for the Clay Substation, which serves members of Harrison County Rural Electric Cooperative. While the pole had been burned almost completely through, it remained standing.

Had the pole fallen, it would have cut power to two MidAmerican Energy substations, three NIPCO substations and all of the members served from those stations, as well as power to three communities: Little Sioux,

Mondamin and Blencoe. Harrison County REC received a report of the pole fire and passed that on to NIPCO. Power was re-routed along other lines so there was no disruption to electric consumers in the area.

The burned pole was replaced the following day with a 60-foot steel pole to eliminate future fire damage.

In the second incident, North West Rural Electric Cooperative received a report the evening of Nov. 16 of a pole on fire near Newkirk in Sioux County. The REC crew reported the fire to NIPCO and power was re-routed around that line section. Upon arriving at the site Thursday morning, NIPCO linemen discovered the pole was still burning and called the Hospers Fire Department to extinguish the blaze. The fire was attributed to fence line burning. Two NIPCO poles suffered minor damage, but the third had major damage and fell.

The broken 50-foot pole was replaced Nov. 18 with another wooden



*This transmission pole, above, leans severely after it was damaged by a fence line fire near Newkirk. In the photo at right, a pole near Modale was burned in a field crop residue fire. Both poles had to be replaced at the cost of several thousand dollars.*

pole. The damaged poles are part of a major transmission line carrying power from NIPCO's Eagle Substation near Hawarden, to serve electric cooperative members in Sioux and O'Brien counties.

The cost to replace a burned pole ranges from \$5,000 to \$6,600.

"Electric cooperative members should not have to pay the price to repair damage caused by people who are careless with fire," said Kent Pauling, NIPCO's executive vice president and general manager. "In the future, NIPCO will consider assessing these pole replacement costs to those who cause the damage." ❖

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## NIPCO, Members Collect Coats to Keep Kids Warm

NIPCO and several of its member cooperatives will again help area kids stay warm this winter by participating in the annual "Coats for Kids" drive spearheaded by KMEG14, the Sioux City television station.

Cooperative employees and the public are encouraged to participate by donating new or gently worn coats for children who might otherwise go without. Donations can be dropped off at the cooperative offices from mid-November through December. Hats, scarves and mittens also are welcome.

Participating cooperatives in the television station's broadcasting area include NIPCO, Woodbury County REC, WIPCO, North West REC and Iowa Lakes EC.

This is the second year that electric cooperatives in northwest Iowa have participated in this effort to keep kids warm. Last winter, cooperative members and staff gathered up several hundred clothing items for the drive.

In the past five years alone, Coats for Kids has brought in around 6,000 coats for children.

The used coats are first cleaned by Davenport Cleaners in Sioux City and then distributed to those in need by the Salvation Army throughout northwest Iowa.

People who would like information about receiving coats that are collected should call the Salvation Army at 712-255-8836. ❖



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