

# *Together We Serve*

Northwest Iowa Power Cooperative

Annual Report 2010



**NIPCO**

A Touchstone Energy® Cooperative





## *Together We Serve*

---

### Electric cooperatives exist only to serve their members' needs.

The ultimate user of power may know only that they purchase their power through their local distribution cooperative. Likely, however, there is a whole network of cooperatives working daily to make sure the distribution cooperative can deliver the goods.

Behind the distribution cooperative is a wholesale cooperative, buying and delivering power to substations throughout the area. Another step

removed can be a super G&T, generating massive amounts of power to serve whole regions of the country. Other cooperatives exist to provide financing, supplies and services such as training, human resources and governmental affairs to all electric cooperatives.

Truly, together we serve the people of America in their homes, farms and businesses, powering rural and suburban life.



ALAN LUCKEN, BOARD PRESIDENT AND KENT PAULING, EXECUTIVE V.P. & GENERAL MANAGER

## *Executive Report*

This Annual Report contains details of Northwest Iowa Power Cooperative's past operations and discussion of events that will affect this organization as we face the commitment of providing competitively priced, reliable power to our members.

NIPCO and its members are fortunate to have Basin Electric Power Cooperative and Western Area Power Administration (WAPA) as their power suppliers. While rates are increasing, they

remain some of the lowest in the entire country. Painstaking planning is occurring to assure NIPCO and its members have a safe, reliable, cost-effective power supply for years to come.

As in past years, power supply costs have the greatest impact on NIPCO's cost of service. As the Missouri River drought subsides, WAPA, one of NIPCO's power suppliers, is now better able to generate power to meet its preference power contract obligations. During the drought,

WAPA purchased a substantial amount of power to meet these obligations. For the next few years, WAPA's customers will continue to pay for these extraordinary purchases that occurred during the 10-year drought through a "drought adder." WAPA's latest forecast reflects fairly stable rates for the next 10 years. NIPCO purchased approximately 21 percent of its energy requirements from WAPA in 2010.

While current water conditions on the Missouri River benefit WAPA, these same conditions have had a negative impact on NIPCO's other power provider, Basin Electric. During the drought, Basin Electric sold a substantial amount of surplus power to WAPA to make up for WAPA's generation shortfall. These sales have substantially diminished as water conditions improved. A deterioration of market prices for surplus energy and a general downturn in the economy have also challenged Basin Electric.

Basin Electric continues the difficult task of balancing member loads with resource development of coal, natural gas and renewable energy. All of these factors have placed pressure on the cost-based rate that Basin Electric's members pay for power. Basin Electric's forecasts show that existing resources and those under development will meet Basin Electric's member load requirements through 2019.

State and federal legislation has the potential to affect NIPCO and the entire electric industry. NIPCO's members are vigilant in the legislative process and through grassroots efforts keep the lines of communication open with our legislators to protect the interests of their consumers. The Iowa Association of Electric Cooperatives and the Mid-West Electric Consumers Association are

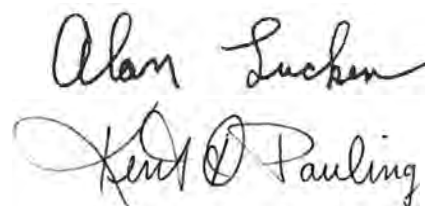
valuable partners in state and federal legislative challenges.

As more budgetary pressures are placed on WAPA, the U.S. Army Corps of Engineers and U.S. Bureau of Reclamation, the customer-funding organization Western States Power Corporation — supported by NIPCO — continues to provide supplemental funding not available through congressional appropriations. Other customer groups in the Upper Midwest also provide funding to this organization.

In spite of the economic downturn, NIPCO's kWh sales rose. NIPCO set a new coincident peak demand of 237 MW in January and increased kWh sales by 1.6 percent for the year.

The 2009 Annual Report noted that NIPCO has made application to the Federal Emergency Management Agency (FEMA) to "retrofit" or rebuild some of our oldest transmission lines. These lines will be designed to the latest standards and retrofitted with more robust line materials. We anticipate FEMA's approval for this major three-year project in the very near future.

NIPCO's employees continue to be the strength of our organization. As in past years, employees donated many volunteer hours to the surrounding communities. Our employees take pride in our organization. They respond to the many challenges. Together with our Board of Directors, we continue to plan for future challenges to assure our members continue to receive reliable, cost-effective power.



Alan Lucken  
Kent Pauling

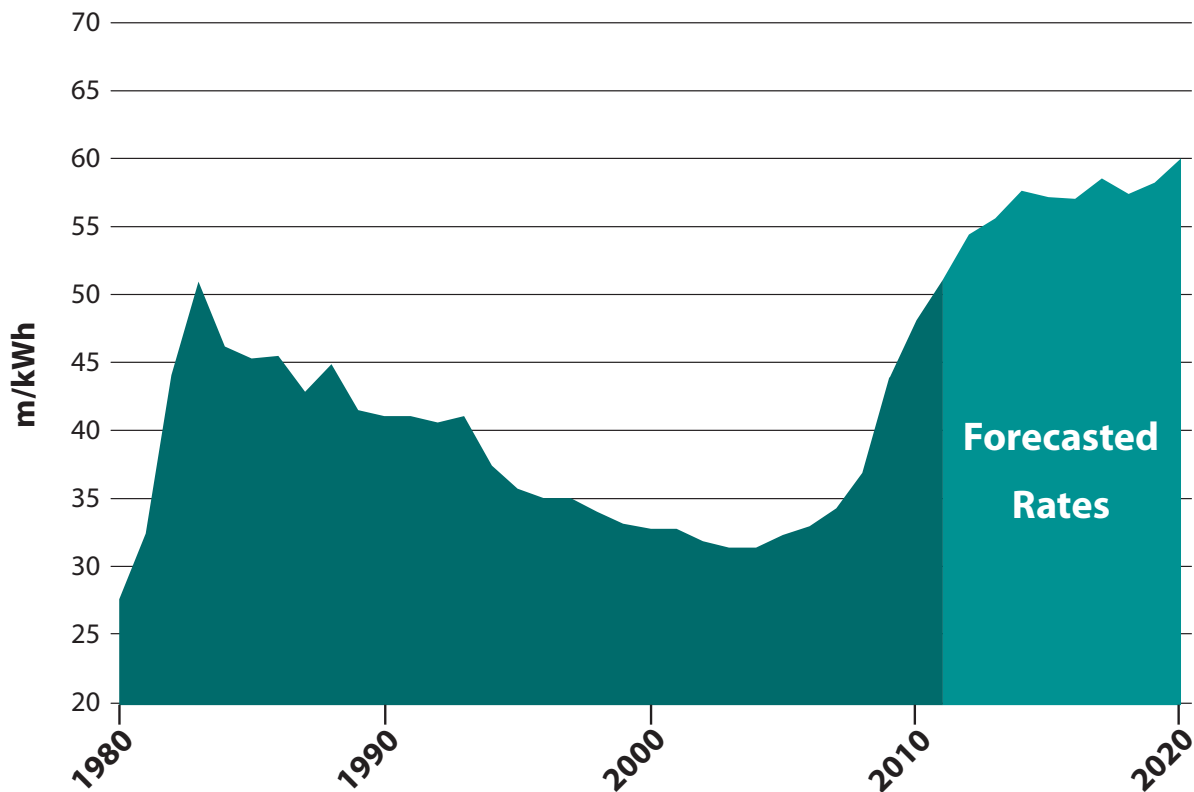
## Rates

Together we serve cooperative members, taking on the external forces that in 2010 resulted in increased rates and focused attention on energy efficiency.

The biggest impact on the rate came from Basin Electric, which provided 79 percent of NIPCO's power. Basin Electric has been building new generation for several years, and construction costs have pushed Basin Electric's wholesale rate to its member cooperatives up over that time. In addition, the cost of a 10-year drought on the Missouri River has forced rates up for NIPCO's other power supplier, Western Area Power Administration.

NIPCO passes purchased power costs directly to its members. NIPCO directors approved an average composite rate increase of 6.18 percent effective Jan. 1, 2011. Since 2004, NIPCO's average rate has increased each year. However, prior to that, NIPCO's rate had dropped gradually over 20 years. In fact, NIPCO's 2011 rate is nearly identical to its rate in the early 1980s. NIPCO's 10-year financial forecast through 2020 predicts increases of 6.62 percent in 2012, 2.17 percent in 2013 and 3.67 percent in 2014 before leveling occurs.

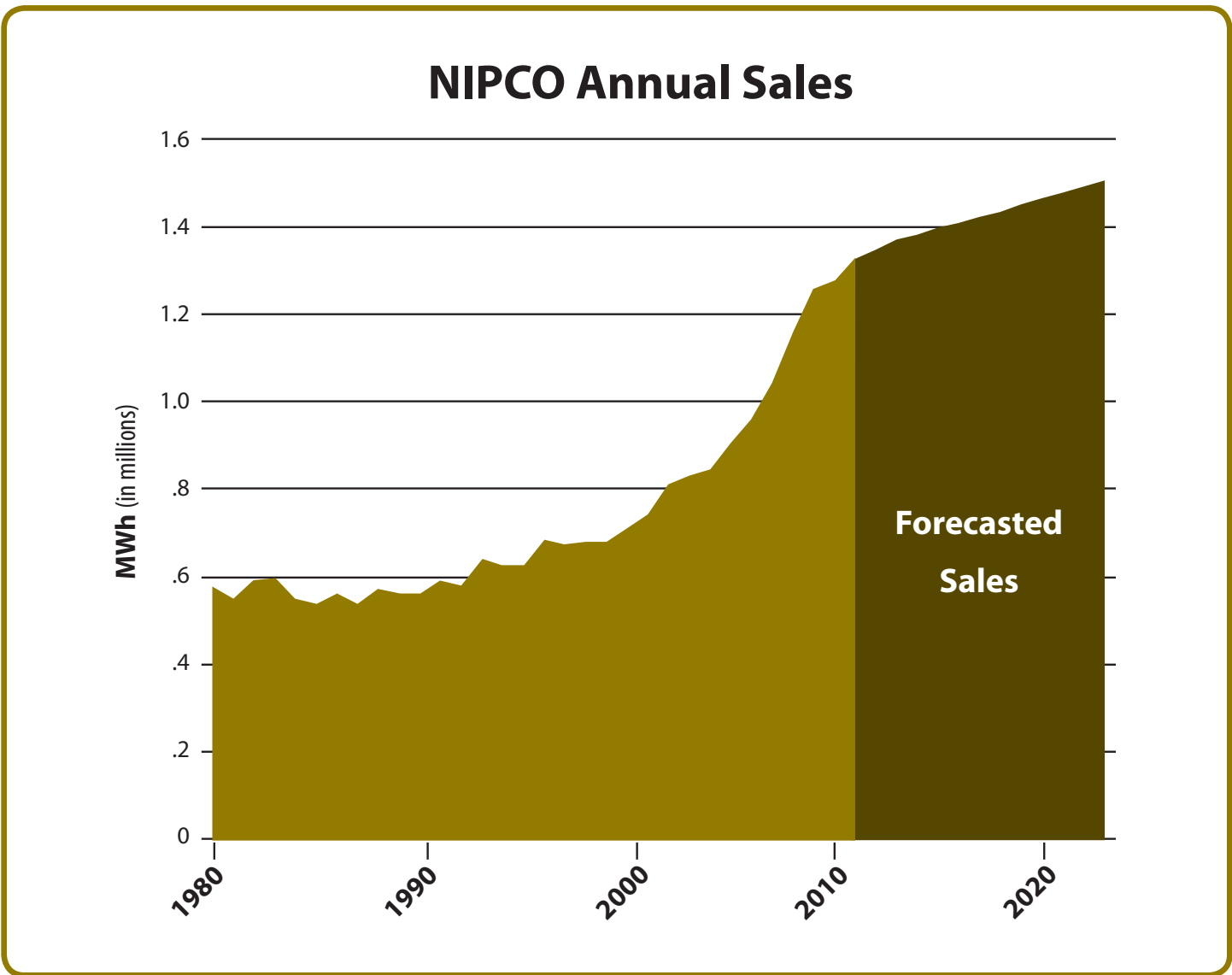
### NIPCO Class A Composite Rates



# Sales Growth

Because NIPCO and other Basin Electric members have been selling more power, Basin Electric built more power plants to meet that need. NIPCO's 2010 sales set another new record with nine months of the year showing an increase in sales over the same months the previous year.

At NIPCO, electric sales have increased every year since 1998, growing 88.5 percent from 1998 through 2010. The growth rate has begun to level out. Sales were up only 1.6 percent in 2010. For the next decade, sales are forecast to grow 1 to 2 percent each year.



# *Energy Efficiency*

---

Poor economic conditions have slowed electric sales growth while at the same time electric utilities are encouraging consumers to use less power by becoming more energy efficient. In 2009, NIPCO and other Iowa cooperatives created energy efficiency plans. In 2010, they put their plans into action with a revised Switch Makes Cents program rewarding cooperative members who saved electricity. Adding new, energy-efficient equipment, insulation, lighting and appliances all earned incentive dollars for members. The co-ops gave efficient light bulbs and kits of other energy-efficient products to their members. A new recycling program asked members to unplug and recycle old, wasteful appliances. NIPCO increased its energy-efficiency spending in 2010 by 32 percent over the previous year. For 2011, Switch Makes Cents added new heating and air-cooling rewards for large businesses.

NIPCO took the energy efficiency message to both the electric cooperatives' members and the general public with an advertising campaign. The message: we can save electricity if everyone takes even little steps toward that goal. Saving power through efficiency also was the central message when NIPCO and its members participated in events such as the Siouxland Home Show, the Clay County Fair, Momentum Is Building contractors conference and the Farm Progress Show.

To help members save electricity, it's important to know how they use power. The latest End Use Survey was completed in mid-2010 and it revealed that 44 percent of residential members in the NIPCO service area use electric heat and 74 percent use electric water heaters.



Touchstone Energy<sup>®</sup>  
Cooperatives

**TOGETHER WE SAVE**

# Energy Efficiency Rebate Program 2010

NIPCO and its member cooperatives encouraged consumers to install energy-efficient equipment and appliances by offering financial incentives. Here are the numbers for 2010.

<b>Ground Source Heat Pumps . . . . .</b>	<b>152</b>
<b>Air Source Heat Pumps . . . . .</b>	<b>245</b>
<b>Water Heaters (90% or more efficient) . . .</b>	<b>386</b>
<b>Central Air Conditioners . . . . .</b>	<b>34</b>
<b>Window Air Conditioners . . . . .</b>	<b>16</b>
<b>Clothes Washers . . . . .</b>	<b>392</b>
<b>Dishwashers . . . . .</b>	<b>194</b>
<b>Freezers . . . . .</b>	<b>73</b>
<b>Refrigerators . . . . .</b>	<b>320</b>
<b>Building Insulation . . . . .</b>	<b>121</b>



In addition, the cooperatives distributed the following at no charge:

<b>Compact Fluorescent Light Bulbs . . . . .</b>	<b>28,817</b>
<b>Energy Efficiency Kits . . .</b>	<b>985</b>

NIPCO and its members encouraged removal of inefficient appliances by offering a recycling rebate.

## Appliances Recycled in 2010

<b>Freezers . . . . .</b>	<b>79</b>
<b>Refrigerators . . . . .</b>	<b>130</b>
<b>Window Air Conditioners . . . .</b>	<b>43</b>

# Engineering

During the year, one substation was completed and two others started. Perkins Substation north of Sioux Center was energized and loaded in 2010, serving members of North West REC. Construction was nearly completed on the new Southbridge Substation south of Sioux City. By spring 2011, the substation's transformer will be in place and the last short segment of tap line

completed, making the substation ready for service in a new industrial area served by Woodbury County REC.

Franchising and property acquisition began in 2010 for another new substation in Woodbury County REC territory – Lakeport Substation – to serve an expanding casino. Construction will begin in spring 2011.



CONSTRUCTION AT SOUTHBRIDGE SUBSTATION



TRASH DUMP ARTIFACTS

Archaeological investigators examined 77 miles of NIPCO’s transmission line routes in the summer of 2010, looking for historically significant items. The survey was in preparation for a project that will retrofit 151 miles of NIPCO’s oldest 69-kV lines. The construction project stems from a series of tornadoes and floods that struck Iowa in 2008, after which the Federal Emergency Management Agency offered financial assistance to upgrade



POSSIBLE BURIAL MOUND

electric service in the area. NIPCO must follow stringent FEMA guidelines to qualify for up to 85 percent of construction costs from the agency. The archaeological investigators found a prehistoric mound, possibly a Native American burial mound; three abandoned railroad grades; and a historic trash dump. At year’s end, NIPCO was awaiting a go-ahead from FEMA before proceeding with about six months of design work.

### *Other 2010 Projects*

A new emergency tie line completed in 2010 now connects Sanborn Municipal with both NIPCO and MidAmerican Energy. The half-mile line provides new backup to the municipal utility, as well as the transmission utilities.

NIPCO line crews rerouted transmission lines crossing the Floyd River between Hinton and Merrill, moving it away from the river. The river’s constantly changing path had eaten away at the

line’s poles. When a drainage district planned improvements to a ditch east of Onawa, NIPCO hired a contractor to reroute a 69-kV line, ending up with an improved line.

Four significant storms hit the NIPCO area during 2010. The most severe started Jan. 20, causing outages that affected more than 80 communities or substations, including those owned by NIPCO, municipals or MidAmerican Energy.

# *Apparatus*

---

The Apparatus Department worked on both new construction and upgrading existing equipment during the year.

Relay and control panels were completed at the J14 and Perkins Substation site north of Sioux Center, making the stations ready for energizing and load at the end of the year. Two recloser bays and circuits were added to Southern Substation near Oakland to accommodate load growth for a meat processing plant. Southbridge Substation on the southern edge of Sioux City was under construction and will be completed in 2011 to serve a newly opened industrial area and a city water treatment plant.

Another new project was the J13 terminal addition, which was completed in March 2011. The project creates an intertie between NIPCO

and MidAmerican Energy and provides NIPCO another source of power during critical load times.

On the maintenance side, the department changed out oil-interrupting breakers at Eagle, NIPCO's main source substation, replacing them with smaller sulfur hexafluoride gas insulating breakers that require less maintenance.

Work scheduled for 2011 includes upgrades at J4 station to support voltage in the Ida Grove and Arthur areas, and continuing work at Eagle Substation where 230-kV oil breakers are to be replaced and microprocessor relays installed for the 69-kV relaying.

New construction in 2011 will include Lakeport Substation in southern Woodbury County and J15 station near Sioux Center, where heavy industrial load requires capacity and voltage support.

## *Telecommunications*

---

Wind turbines in Shelby and Pottawattamie counties generated more than electricity in 2010. The MidAmerican Energy-owned turbines caused interference in NIPCO's substation communications system in that area east of Harlan, where NIPCO used an unlicensed microwave path to carry data back to the Le Mars control center.

Original plans were for the unlicensed path to be upgraded to a licensed path in 2010, but turbine interference would still have been a problem. NIPCO opted instead to bury 18 miles of fiber optic cable from the stations to interconnect with the cooperative's existing fiber optic ring.

A contractor had the cable buried by late fall and NIPCO staff completed the project with splicing and equipment testing. The new fiber optic line was in service by the end of the year.

NIPCO upgraded its Ethernet network with TC Communications Jumbo Ethernet transport equipment. The network serves as a digital information highway, hosting a long list of applications:

- \* Two-way virtual local area network access between NIPCO and many of its members.
- \* Voice over internet phone services among cooperative offices, eliminating long distance charges.
- \* Growing network of security cameras on cooperative property.
- \* System control and metering data delivery.
- \* Relay operations and diagnostics.
- \* Microwave radio diagnostics.
- \* Internal guest network to plug in laptop computers at 21 substations.

## *Information Systems*

---

Two enhancements during the year made NIPCO's alternate operational site at Salix Substation more functional. A new database mirroring system instantaneously duplicates computer files at the disaster recovery site as NIPCO employees create those files. That data becomes instantly available should a crisis force the cooperative to use the disaster recovery site. In addition, the existing computer servers at the Salix site are now reconfigured into a virtual environment, echoing the virtual computer servers at the Le Mars headquarters. The upgrades make both critical data and less important data easily accessible should operations move to the Salix location.

A new intranet created in 2010 now offers NIPCO employees a single, convenient site for a wide variety of cooperative information. Based on Microsoft Sharepoint, the internal website offers a repository for information used for and by employees in their day-to-day job activities. Employees can both retrieve and contribute information to the website.

While computers in line trucks have been common for many utilities in recent years, it was not until 2010 that NIPCO linemen began using laptops to aid in field operations. The laptops will both provide and collect data, offering linemen resources such as convenient digital system maps and collecting data such as amperage surveys.

## Member Services

### Farm Progress Show

NIPCO and its members joined with other Iowa cooperatives to sponsor a booth at the Farm Progress Show, held every other year at Boone.

The cooperatives promoted energy efficiency with a compact fluorescent bulb giveaway and demonstrated safety around electricity.



COOPERATIVE STAFF MEMBERS TALK WITH A FARM PROGRESS SHOW ATTENDEE.

### Tours

Cooperative members and municipal electric customers boarded the buses again in 2010 to learn where their power originates. NIPCO has provided member tours since 1988, affording thousands of

members a close-up look at power generation and transmission to their homes, farms and businesses. Several cooperative directors from Corn Belt Power Cooperative joined the tours in 2010.

## *Iowa State Fair*

The Touchstone Energy® Cooperatives of Iowa participated in the 2010 Iowa State Fair by sponsoring the 4-H Building. Displays showing various energy efficiency measures from compact fluorescent lights to building insulation attracted

building visitors to learn how they could use energy more wisely. In addition, more than 1,000 4-H members received special T-shirts with both 4-H and Touchstone Energy messages on them.



4-H MEMBERS LEARNED ABOUT EFFICIENT LIGHTING.



A DESIGNER APPLIES SIGNAGE TO THE ENERGY EFFICIENCY TRAILER.



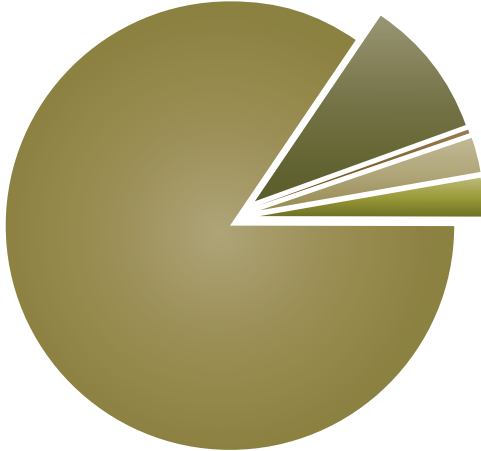
### *Energy Efficiency Trailer*

Serving their members together, Corn Belt Power Cooperative and NIPCO jointly planned and created a series of portable energy efficiency displays housed in a trailer. The displays are available to any of the two cooperatives' members for use at events such as annual meetings, home shows and county fairs. Each freestanding display focuses on one aspect of energy efficiency, such as building wrap, sealing penetrations through a building's walls, lighting and insulation. In its first year, the energy efficiency trailer traveled many miles across western and north-central Iowa.

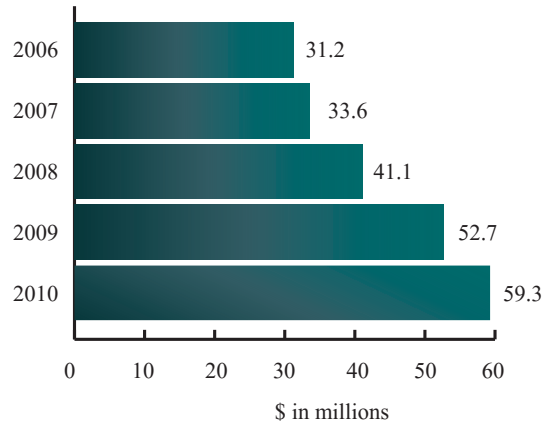
# Financials

## 2010 INCOME

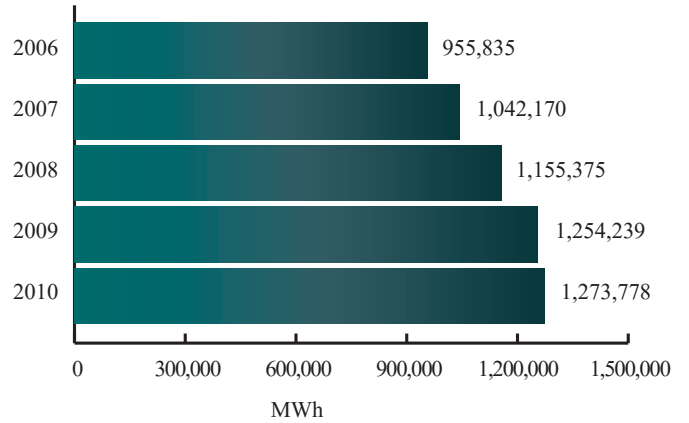
- 84.72% Class A Sales
- 9.86 Class B Revenues
- 0.24 Non-Operating Revenues
- 2.60 Deferred Patronage Assignments
- 2.58 Other Revenues



## CLASS A REVENUES

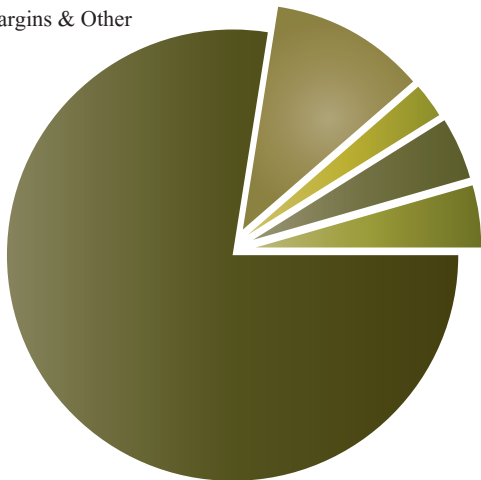


## CLASS A MWH SALES

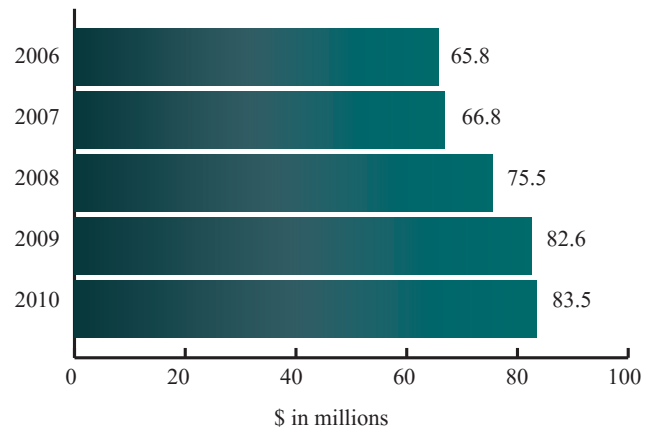


## 2010 EXPENSE

- 77.55% Power Supply
- 11.09 Operations & Maintenance
- 2.65 Interest
- 4.39 Depreciation
- 4.32 Margins & Other



## TOTAL ASSETS



## *Board of Directors*

---



(L TO R) CHUCK WIDMAN - VICE PRESIDENT, WOODBURY COUNTY REC; MARVIN KLEIN - SECRETARY, HARRISON COUNTY REC;  
VERNON WINTERHOF, IOWA LAKES ELECTRIC COOPERATIVE; ALAN LUCKEN - PRESIDENT, NORTH WEST REC;  
DON APPELATE, NISHNABOTNA VALLEY REC; BILL FARMER, WESTERN IOWA MUNICIPAL ELECTRIC COOPERATIVE ASSOCIATION;  
LOUIS REED - TREASURER, WESTERN IOWA POWER COOPERATIVE

# *Member Cooperatives*

---

## **CLASS A MEMBERS**

**HARRISON COUNTY REC  
WOODBINE  
JOE FARLEY, MANAGER**

**IOWA LAKES ELECTRIC COOPERATIVE  
ESTHERVILLE  
TERRY BRUNS, MANAGER**

**NISHNABOTNA VALLEY REC  
HARLAN  
JOHN EUCHNER, MANAGER**

**NORTH WEST REC  
ORANGE CITY  
LYLE KORVER, MANAGER**

**WESTERN IOWA MUNICIPAL ELECTRIC  
COOPERATIVE ASSOCIATION  
MANNING  
KENT HILSABECK, MANAGER**

**WESTERN IOWA POWER COOPERATIVE  
DENISON  
JEFF BEAN, MANAGER**

**WOODBURY COUNTY REC  
MOVILLE  
RON KUNKEL, MANAGER**

## **CLASS B MEMBERS**

**MISSOURI BASIN MUNICIPAL ELECTRIC  
COOPERATIVE ASSOCIATION  
BASIN ELECTRIC POWER COOPERATIVE**



PO Box 240

31002 County Road C38

Le Mars, IA 51031

712.546.4141

[www.nipco.coop](http://www.nipco.coop)