



# NETWORK NEWS

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

Spring 2011

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## Others Hunger After Preference Power, Says Graves

Preference power is under attack from many sides, according to Tom Graves, executive director of the Mid-West Electric Consumers Association, who spoke at NIPCO's April 5 annual meeting.

Graves warned that other entities covet the preference hydropower reserved for cooperatives, municipal electrics and public power districts.

The Missouri River Authorized Purposes Study – one of many studies currently underway on Missouri River issues – may look at how preference power is distributed. Graves said the study is overstepping its authority with the power distribution issue because hydropower disposition is under the jurisdiction of Western Area Power Administration, which is not part of the study.

Graves urged his audience to go online to MRAPS.org to the Corps' scoping report where they could enter their comments on the subject.

Another danger to the federal power program is funding. Already underfunded for needed construction programs, the federal power agencies could be targeted for budget cuts. "This is a program that pays for itself," Graves said, adding that Congress doesn't seem to understand that construction money

budgeted to the power agencies eventually returns to the federal treasury.

"We've repaid over \$1 billion of the original investment in this project as well as covered the annual operation and maintenance costs," Graves said.

"This is not a program we can afford to lose," he said. "It is a significant part of the resource base of all the rural electric cooperatives, municipal electric utilities and public power districts in this part of the country."

There is agitation in some circles for preference power to be sold at market rates. Graves said this raises many questions, including "What are market rates?" and "What is the product (sold)?"

See "Preference Power" page 2



Tom Graves talks about federal power agencies and preference power at NIPCO's annual meeting luncheon.

## Two NIPCO Members Honored for Economic Development Work

Two NIPCO member cooperatives were honored for economic development activities during NIPCO's April 5 annual meeting.

Iowa Area Development Group presented Impact Awards to Western Iowa Power Cooperative and North West REC.

WIPCO was honored for leadership and support in securing a \$666,000

loan from USDA Rural Development to help Puck Custom Enterprises near Manning build a new 15,000 square foot manufacturing facility and headquarters. The company manufactures a variety of fertilizer application and aeration equipment in Audubon County and employs about 20 people.

North West REC earned recognition for two projects. The cooperative

secured a \$300,000 USDA award to assist construction of a performing arts facility at Galva-Holstein High School. The REC also helped secure additional industrial park property where Kooima Company can expand its facilities near Rock Valley and add nearly 20 new jobs. ❖



Dan Anderson, IADG; Bruce Nuzum, IADG; Jeff Bean, WIPCO manager; Louis Reed, WIPCO board president; and Rand Fisher, IADG.



Lyle Korver, NWREC manager; Joel Orthman, NWREC board president; and Fisher, IADG.



Students from Western Iowa Tech Community College start the annual meeting with the national anthem.

## Preference Power

*continued from page 1*

The preference power product sold by WAPA to NIPCO and its other customers typically isn't available on the open market because WAPA rates include not only generation, but also transmission and the financial support of other purposes of the Missouri Rivers dams, including flood control and navigation.

"Market rates may be coming," Graves said. "We don't know. Congress is desperate to find money."

He predicted that Congress will spend a year or more looking for ways to cut the federal budget, then opt to raise taxes. There is waste in the federal government, like there is everywhere, he said. "That's no reason to give them more money. It's a reason to scrutinize very carefully what they are doing."

Graves urged his audience to educate themselves about the Pick-Sloan legislation creating the Missouri River dams and to advocate for the preference power program and the federal power agencies. ❖

## **N Award Goes To Longtime WIPCO Employee, Director**

Director Bert Hanson of Western Iowa Power Cooperative was named recipient of the 2011 N Award at the annual meeting of Northwest Iowa Power Cooperative on April 5.

Hanson was honored for his 56-year career in the electric cooperative industry. Currently a WIPCO board member, Hanson became a part-time employee of Monona County REC before his 18th birthday. He started work as a custodian, but learned the skills of a lineman by working alongside his cooperative colleagues. He soon became a full-time employee, building distribution lines and also taking after-hours jobs building substations and transmission line.

Hanson was promoted to foreman and then to line superintendent. When Monona County REC and South Crawford REC began sharing a manager in 1993, Hanson was named assistant manager for the Monona County area. Four years later WIPCO was formed and he became assistant line superintendent for the new cooperative.

During this same time, Hanson was a member of the Onawa city council and represented the city on the board of Western Iowa Municipal Electric Cooperative Association, a group formed by municipal electric utilities to purchase power through NIPCO.

Hanson eventually retired from WIPCO after 46 years, but his cooperative career didn't end. He ran for and was elected a director of WIPCO in 2000, where he continues to serve, using his many years of experience to the benefit of WIPCO and its members.

Hanson was chosen as N Award recipient by the NIPCO directors to recognize Hanson's many years of service to advance rural electrification. ❖



*Bert Hanson, center, retired longtime employee and now director for Western Iowa Power Cooperative, was named recipient of the 2011 N Award. With him are his wife, Kay, and Louis Reed, WIPCO board president, who presented the award.*

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## **Cooperatives' Grassroots Efforts Blossoming, Establishing New Cultures in RECs**

The profile of rural electric cooperatives has changed in recent years at Iowa's capitol, and that's a good thing.

Brian Kading, executive vice president and general manager of Iowa Association for Electric Cooperatives, told those gathered for NIPCO's annual meeting that the co-op's grassroots advocacy program has produced positive results for the co-ops and their members.

"Many co-ops have developed a culture of grassroots advocacy and are having very good success contacting their legislators," he said.

One success was passage of State Historic Preservation Office reform legislation this year, a bill signed by Gov. Terry Branstad in front of assembled co-op directors and staff March 29. The bill is expected to expedite administrative processes when co-ops restore storm-damaged electric lines.

Another piece of pending legislation strengthens penalties for copper

theft. Kading said there still is a good chance that will pass this year.

The cooperatives also have been active this legislative season advocating for passage of a bill that would allow MidAmerican Energy Co. to explore construction of a nuclear power plant.

One bill the cooperatives backed that failed this season is a pre-paid metering option. The bill became controversial, he said, when opponents claimed the bill would take away protections for low-income consumers.

Kading said that redistricting of the state's congressional and state legislative boundaries will present a challenge to electric cooperatives.

As Iowa's population continues moving from rural to urban settings, there will be fewer rural legislators. "We have to figure out how to win urban legislators over to the cooperatives. That's one of our challenges," he said. ❖



*Ron Harper, Basin Electric CEO and general manager, tells attendees at NIPCO's annual meeting that several economic factors have created a need for additional revenue.*

## **Basin Electric Looking at Mid-Year Rate Hike**

A mid-year rate increase looks likely in the near future for members of Basin Electric Power Cooperative.

Ron Harper, chief executive officer and general manager for the Bismarck, N.D.-based generation and transmission cooperative told members attending NIPCO's annual meeting that – if approved by Basin Electric's directors – this would be only the second mid-year rate change in Basin Electric's 40-year history. Rate changes typically come at the beginning of each year.

Basin Electric needs additional income to meet several financial requirements. The cooperative borrowed money on the open market to finance recent years of heavy construction, and those lenders require Basin Electric to maintain a margins-for-interest ratio of 1.1. Additionally, Basin Electric directors set a policy a few years ago that the cooperative

achieve margins equal to 3 percent of revenues annually. The third financial goal, Harper said, is to maintain at least 20 percent equity in order to retire capital credits.

Increasing the member rate is one of three options Basin Electric directors have considered, Harper said. One possibility is using some of the payment from Burlington Northern Santa Fe Railroad following the dispute of coal-hauling rates charged by the railroad. Those funds are in escrow while the railroad appeals the decision. Should the appeal favor the railroad, Harper said, Basin Electric's members would have to replace any money taken from the escrow fund.

Basin Electric directors also considered taking a dividend from Dakota Gasification Company, a wholly owned subsidiary manufacturing synthetic natural gas and coal byproducts.

However, Harper said, with falling natural gas prices expected in the next several years, that move could force the subsidiary into an unstable financial situation.

The potential 4.0-mill, mid-year rate increase is the best option for Basin Electric to meet its financial requirements, Harper said. He has visited the directors of every Basin Electric member to explain the situation and the options. The increase could become effective as early as September or October. The result, Harper said, would be the cooperative meets its margins-for-interest ratio set by lenders, hits the 3 percent margin required by Basin Electric policy, and increases equity for the cooperative. Increased equity would give Basin Electric directors the ability to retire capital patronage and would protect the cooperative's bond ratings.

What has happened to put Basin Electric in need of revenue? The last several years have been ones of rapidly growing electric sales and high profits at the coal gasification plant. Harper explained that the economic downturn and emphasis on energy efficiency have cut into electric sales growth. The end of a decade-long drought on the Missouri River cost Basin Electric a lucrative market for excess generation. The creation of MISO interfered with Basin Electric's ability to transmit and sell power in other regions. Natural gas prices have dropped precipitously, cutting profits at the gasification plant. All of those issues have changed the financial climate in which the cooperative operates.

Harper's report to NIPCO members at the April 5 annual meeting marked his last as leader of Basin Electric. He has announced he will retire at the end of 2011. ❖

## **NIPCO Study Expects Sales to Grow Slowly For Next 2 Decades**

NIPCO projects energy sales will grow much more slowly over the next 15 years.

Kent Pauling, executive vice president and general manager, told members attending the cooperative's annual meeting April 5 that the aggressive sales growth of recent years likely won't be seen again in the next decade or longer.

While the sales forecasts increased 4.1 percent in 2006 and 2.2 percent in 2008, the cooperative's 2010 power requirement study predicts growth of about 1 percent a year for the next five years and about 1.5 percent growth overall for 15 years.

Western Area Power Administration supplies about 20 percent of NIPCO's power needs with hydropower from the Missouri River dams. WAPA's charge for that power increased following a 10-year drought that ended in 2009 when snow and rain refilled the reservoirs. Water currently is in good supply, Pauling said, and WAPA will notify power customers in October whether the drought surcharge will be adjusted for 2012.

"Good progress is being made on repayment," he said. WAPA had to purchase power on the open market to supply its customers during the drought. If water supplies along the Missouri stay at normal levels and no new drought occurs, the drought repayment should be completed by 2017, earlier than originally planned, he said. ❖

## **FEMA Fires Starter Pistol on 3-Year Upgrade Project**

Long-awaited word came March 24 from the Federal Emergency Management Agency that NIPCO could start its \$27.7 million retrofit of 151.14 miles of the cooperative's oldest transmission lines.

FEMA has set aside up to \$20,762,482 to fund 75 percent of construction costs. Iowa's emergency office will pay another 10 percent of the cost while NIPCO will cover the remaining 15 percent.

To apply for the grant, NIPCO last summer hired an archaeological study firm to survey more than 70 miles of proposed line route looking for significant historic structures or sites. The archaeology team reported its findings to Iowa's State Historic Preservation Office in June and waited until February for SHPO approval. FEMA's funding authorization came about a month later.

Following disastrous spring 2008 floods and tornadoes across Iowa, FEMA offered the Hazard Mitigation Grant Program, which, among other things, assists electric utilities to strengthen electric lines and poles. The goal is to make the electric system less susceptible to future damage from severe weather.

NIPCO has a three-year window to complete construction. The first six months will be devoted to surveys and planning with construction expected to begin in late 2011. Contracted construction crews will do the work, which will be completed in phases and coordinated with similar retrofitting projects underway at NIPCO member cooperatives. The phased construction plan also will keep power disruptions to a minimum. ❖



*This is one of three abandoned railroad structures noted in the archaeological study required to apply for Federal Emergency Management Agency funding to retrofit 151.14 miles of NIPCO's oldest transmission line.*

## Spring Tornadoes Tear Up Electric Lines and Lives in Western Iowa

A series of tornadoes April 9 caused severe damage in scattered locations across northwest Iowa, leaving parts of one small town in rubble and ripping out poles in NIPCO's transmission system.

In Mapleton, population about 1,200, the tornado swept through town, destroying 142 homes and businesses, but causing only minor injuries. Flying debris damaged the city's municipal substation and power was out.

NIPCO supplies the municipal electric company's power and immediately dispatched a crew that night to assess the situation.

While NIPCO's nearby transmission line had broken conductor and eight downed poles, the crew determined power was still available to the town from the feeder substation. A crew towed NIPCO's 5-MVA mobile substation to Mapleton and had it ready for service within about 8 hours of the storm. Law enforcement authorities ordered the entire community checked first for gas leaks, and then gave the OK to turn the power on to much of the town mid-afternoon the next day.

On April 10 NIPCO crews, assisted by linemen from NIPCO member North West REC, went to another site where a tornado took out another eight transmission poles. These poles were on the Galva Substation tap line, powering a substation serving a large ethanol plant, which was back online before 7 p.m. Sunday.

It was back to Mapleton on April 11 for all of NIPCO's crews where they replaced the broken poles and began restringing conductor. The following day, the third day after the rash of tornadoes, the remainder of the Mapleton repair and clean-up work was finished. ❖



*NIPCO engineering assistant Chad Barthman, left, and linemen Jim Marco, Gerry Freml, Terry Madsen and Steve Harringa, prepare a new pole to be set on the outskirts of Mapleton where a tornado tore out eight poles and broke conductor. NIPCO facilities sustained about \$150,000 in damage.*



*Much of southwest Mapleton was in the same condition as this torn-open warehouse building. The city was littered with bits of insulation, broken trees, twisted metal roofing and the contents of homes and businesses following the April 9 tornado.*



Check out NIPCO's  
YouTube channel  
NIPCOvision



See NIPCO linemen in action  
repairing tornado damage. Go to  
<http://bit.ly/nipcovision8>



*Crews from both NIPCO and North West REC worked together to replace eight downed poles and conductor on the tap line feeding the Galva Substation following the tornado.*

### **Galva Tap Line, Substation Damaged in Storm**

North West REC crews came to the aid of NIPCO linemen April 10 to help restore service to the Galva Substation and its main customer, a large ethanol plant.

A tornado the previous evening knocked out eight poles and conductor on the station's tap line, leaving conductor across U.S. 20. Iowa Highway Patrol troopers closed the high-

way until NIPCO crews could cut the line about midnight.

Crews from the two cooperatives arrived early April 10 to repair the line, while Ida County sheriff's officers provided traffic control. Power was restored to the substation about 6:45 p.m.

The substation meter shed and some fencing around the station also were damaged by debris during the tornado. ❖



*Linemen Gerry Freml, left, and Steve Harringa position the first of eight replacement poles at Mapleton.*



*Broken conductor from NIPCO's tie line lies on the ground south of the Mapleton municipal substation while NIPCO crew members in the background remove the stump of a broken pole.*



*The EF3 tornado twisted this pole near Mapleton and snapped it off.*

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### Service Awards

NIPCO employees honored on their service anniversaries at the annual meeting were, from left: Terry Madsen, journeyman lineman, 15 years; Bruce Christensen, journeyman lineman, 20 years; Rick Harpenau, power dispatching manager, 10 years; Dave Rolfes, procurement and equipment manager, 20 years; Jeff Zettel, senior meter technician, 15 years; Keith Schiltz, MDT services manager, 35 years; Bill Wolf, information systems specialist, 10 years; Ken Klaver, graphic designer, 25 years; and Tim Hansen, senior telecommunications technician, 25 years. Roger Armstrong, heavy equipment operator, not pictured, also was recognized for 20 years of service. ❖