

Join us for the 2017 Annual Meeting

Tuesday, April 18, 2017
Jamestown Farmers Union Building

Agenda

Registration

5:30 p.m. - 6:30 p.m.

Supper

5:30 p.m.

Compliments of Northern Plains Electric

Business meeting

6:30 p.m.

**NORTHERN
PLAINS** *Electric Cooperative*

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A message from the

president & manager

BY PRESIDENT TRACY BOE
AND GENERAL MANAGER BRUCE GARBER

Northern Plains Electric Cooperative understands that the strength of our cooperative is heavily dependent on the financial strength of the farmers, small businesses and communities it serves. We understand that depressed grain and cattle prices are having a serious negative impact on members all across our service area.

While commodity prices have dropped, most operational costs have stayed the same or, in some cases, increased, making it difficult to squeeze out a profit.

Northern Plains Electric recognizes that energy costs are a significant part of your operational costs. Accordingly, your board of directors has taken several steps to reduce

costs and soften the impact of rising electrical rates. Some of these steps are:

- **Reduced interest rates.**

In 2016, the cooperative was able to finance our work plan construction mostly with money borrowed from the Rural Utilities Services (RUS). The RUS continues to be our most affordable lender, with an interest rate of 1.94 percent on our loan draw taken in 2016. With refinancing of some of our existing loans and the low interest rates in 2016, we were able to decrease our interest expense from previous years.

- **Switching to LED security lights.**

In 2016, Northern Plains Electric received approval of its Rural Energy for American Program (REAP) U.S.

Department of Agriculture grant application to replace approximately 1,000 high-pressure sodium security lights with LED security lights.

This grant will save nearly \$50,000 in installation costs, and the change from HPS to LED security lights will save an estimated \$4,430, or more, in wholesale power costs, per year, over the 24-year lifespan of the units. Eventually, all security lights will be changed to LED, for even greater savings.

- **Power producers work to reduce expenses.**

While Northern Plains Electric takes every step it can to hold the line on its operational expenses, the real dollars are to be found in the cost of wholesale power it purchases, which



President **Tracy Boe** and
General Manager **Bruce Garber**

is 70 percent of total cost of service.

Basin Electric Power Cooperative increased its wholesale power rates in the summer of 2016. This increase by Basin was mostly the result of rising costs forced on all wholesale power generators for costs incurred to comply with the Environmental Protection Agency's (EPA) stringent carbon dioxide regulations, combined with Basin's reduced electric and natural gas sales. Through 2016, Basin and its subsidiaries have invested more than \$1.6 billion in emissions control technology.

Unfortunately, the EPA has chosen to disallow many of these previous emission reductions. Compliance with EPA's Clean Power Plan, as now written, will cost Basin Electric another \$5 billion. At this time, however, the Clean Power Plan is still tied up in the court system.

We'd like to share some of the cost-cutting measures our wholesale power suppliers have taken to hold down the cost of wholesale electric power.

- **Joining the Southwest Power Pool.**

Late in 2015, Central Power Electric Cooperative, Basin Electric Power Cooperative and the Western Area Power Administration (WAPA) became members of the Southwest Power Pool (SPP).

Headquartered in Little Rock, Ark., this nonprofit organization oversees the bulk electric grid and wholesale power market in the central United States.

SPP's task is to ensure an adequate transmission structure and reliable power supply to 18 million people in a 575,000 square-mile region, including more than 60,000 miles of high-voltage transmission line in 14 states. To do this, SPP has a staff of about 600 professionals.

Besides ensuring energy reliability, SPP is also committed to maintaining competitive wholesale electricity rates.

For instance, SPP projects it will save its members – in the end, that's us – \$100 million annually by using something it calls the real-time “integrated marketplace.” The “marketplace” enables SPP to coordinate next-day energy generation, provide greater access to reserve energy, improve regional balancing of supply and demand and integrate renewable resources – like wind and solar.

- **Allam Cycle research.**

While EPA's controversial Clean Power Plan plays out in the courts, regardless of the ultimate decision, Basin Electric understands it must continue growing in a carbon-constrained world.

One technology showing potential for economical carbon-reduction is an electric generation process called

the Allam Cycle. The Allam Cycle consists of gasifying lignite to produce synthetic natural gas, which would then be used, along with oxygen and carbon dioxide (CO₂) to drive a turbine generator.

Basin Electric is involved in research for this new process, and in 2017, a “first-of-its-kind” Allam Cycle generating plant will start up in Texas. If this plant proves out, it could be an economical means of using lignite in a CO₂ emissions-constrained future.

If successful, this new process would be good for all aspects of North Dakota's energy industry, and would allow wholesale power producers, like Basin, to continue using North Dakota's plentiful lignite deposits to generate power.

To sum it up:

Over the past year, Northern Plains Electric has invested \$3.7 million to upgrade its power lines and service equipment to enhance service reliability.

Our cooperative is continually changing to become more efficient and, as it becomes available, to incorporate more efficient, cost-saving technologies into its operation.

Be assured, Northern Plains Electric Cooperative is dedicated to bringing reliable, reasonably priced electricity to you, the member-owners, now and into the future. ■

NORTHERN PLAINS *Electric Cooperative*

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2016

Financial report

2016 revenues up

The year 2016 was not a typical year – with wetter weather and milder temperatures than previous years. On one hand, the wetter-than-normal weather caused a reduction in irrigation sales; on the other, it caused an increase in grain drying, and milder temperatures decreased home heating kilowatt-hour (KWH) sales.

2016 electric heat sales were down about 2 percent, or 240,000 KWH, and grain drying sales increased by about 4 percent, or 600,000 KWH. Sales to farm, residential and small commercial customers were 10.8 million KWH for the year, an increase of about 3 percent.

In 2015, Northern Plains was able to refinance some of its Rural Utilities Service (RUS) construction loans at a lower interest rate. This reduction, in effect for all of 2016, decreased the interest expense on the co-op's long-term debt.

In addition, the co-op saved money in other ways. The mild weather allowed Northern Plains Electric crews to continue building new line, replacing and retiring old line to homes and businesses from early spring through the winter months. This meant the co-op

experienced reduced operations and maintenance expense in 2016

Rate increase delayed

You may recall that Northern Plains Electric's power supplier, Basin Electric Power Cooperative, was forced to increase its wholesale power rate by about 12 percent in August 2016.

Despite this rate increase, Northern Plains Electric's board of directors was able to delay passing the rate increase onto members until Jan 1, 2017. It is estimated this five-month delay saved Northern Plains members \$1.2 million in electrical costs. The delay was possible only because of the cooperative's strong financial position.

While the rate increase was not the same for every rate class, the majority of Northern Plains Electric members – who are on the rural farm and residential rate – saw an increase of about 4.26 percent. The percentage varies from member to member, depending on the amount of electricity used.

Strong margins in 2016

Northern Plains Electric ended 2016 with assets of \$112.4 million,

debt and liabilities of \$73.8 million, and member equity of \$38.6 million. The cooperative showed year-end gross margins of \$5,240,537.

With excellent 2016 margins, the board of directors approved setting an additional \$635,000 aside in the cooperative's deferred revenue program. Under the deferred revenue program, a portion of each year's profits are moved into a "rainy day" fund, which can be tapped to soften future rate increases.

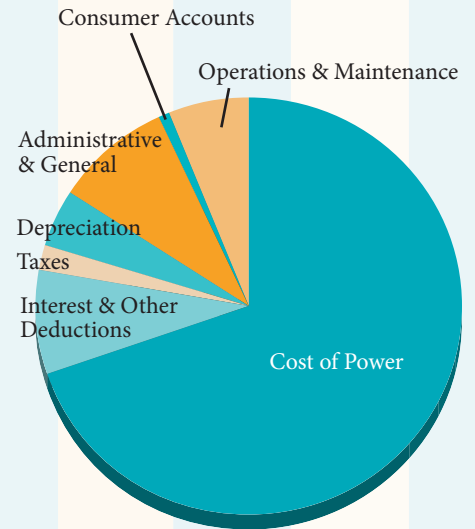
After the deduction for the deferred revenues, the cooperative posted net margins of just over \$4.6 million.

In 2016, \$5,240,537 was allocated to our members as capital credits. These funds will be retained to self-fund a portion of the system's future improvements and replacement costs.

Eventually, these retained margins – capital credits – will be returned to members through the cooperative's normal rotation of capital credit payments. In 2016, Northern Plains returned \$825,186 in capital credits to its members.

2015-2016 Operations Statement & Balance Sheet

	2015	2016
OPERATING REVENUE		
Rural and urban	\$21,387,467	\$22,144,341
Commercial, public lighting, pumping	\$17,625,188	\$18,317,610
Irrigation	\$403,758	\$377,323
Sales for resale	\$514,647	\$455,330
Other operating revenue	\$303,115	\$277,620
Less revenue deferred	<u>-\$2,500,000</u>	<u>-\$635,000</u>
TOTAL OPERATING REVENUE	\$37,734,175	\$40,937,224
OPERATING EXPENSES		
Purchased power	\$24,941,111	\$27,556,760
Operations and maintenance expense	\$3,176,892	\$3,206,452
Consumer accounts expense	\$641,717	\$647,325
Consumer service and sales expense	\$159,913	\$131,823
Administrative and general expense	\$1,770,568	\$1,725,743
Depreciation expense	\$3,258,939	\$3,499,875
Taxes	\$271,619	\$321,322
Interest expense	\$2,491,818	\$2,400,009
Other deductions	<u>\$26,148</u>	<u>\$12,715</u>
TOTAL COST OF ELECTRIC SERVICE	\$36,738,725	\$39,502,024
Net operating margins	\$995,450	\$1,435,200
Margins allocated by Central Power & Basin	\$1,020,738	\$2,579,991
Non-operating margins -- interest	\$194,474	\$308,437
Non-operating margins -- other	<u>\$241,728</u>	<u>\$281,909</u>
TOTAL MARGINS	<u>\$2,452,390</u>	<u>\$4,605,537</u>
FIXED ASSETS		
Total utility plant	\$122,614,137	\$126,321,061
Less: Accumulated provision for depreciation	<u>\$49,601,057</u>	<u>\$51,417,018</u>
Net utility plant	\$73,013,080	\$74,904,043
OTHER ASSETS		
Non-utility plant	\$0	\$0
Investments in associated organizations	\$18,658,233	\$21,289,695
Other Investments	\$3,750,065	\$4,488,785
Special funds -- margin stabilization	\$3,665,000	\$2,800,000
Cash	\$1,716,200	\$1,468,448
Notes and accounts receivable	\$4,992,542	\$4,584,634
Materials and supplies	\$1,335,636	\$1,359,055
Prepayment and deferred debits	<u>\$1,708,565</u>	<u>\$1,553,697</u>
TOTAL OTHER ASSETS	\$35,826,241	\$37,544,314
TOTAL ASSETS	\$108,839,321	\$112,448,357
LIABILITIES		
Net obligation to RUS	\$30,523,531	\$31,554,591
Net obligation to others	\$34,053,671	\$31,102,848
TOTAL LONG TERM DEBT	\$64,577,202	\$62,657,439
Accumulated Operating Provisions	\$0	\$0
Current liabilities and accounts payable	\$4,106,769	\$5,027,162
Deferred credits	\$5,529,010	\$6,138,602
TOTAL LIABILITIES	\$74,212,981	\$73,823,203
EQUITY		
Patronage capital	\$23,885,709	\$27,721,369
Non-operating margins	\$231,719	\$231,719
Other margins	<u>\$10,508,912</u>	<u>\$10,672,066</u>
	\$34,626,340	\$38,625,154
TOTAL LIABILITIES & EQUITY	<u>\$108,839,321</u>	<u>\$112,448,357</u>



Cost of Power	69.8%	\$27,556,760
Operations and Maintenance	8.1%	\$3,206,452
Consumer Accounts	1.9%	\$779,148
Administrative and General	4.3%	\$1,725,743
Depreciation	8.8%	\$3,499,875
Taxes	1%	\$321,322
Interest and Other Deductions	6.1%	\$2,412,724

2016 Cooperative statistics

Consumers	11,637
Miles of line.....	6,802
Customers/mile	1.7
KWH sold.....	450,805,027
Revenue.....	\$40,937,224
Power costs	\$27,556,760
All other costs	\$11,945,264
Total equity.....	\$38,625,154
Net plant	\$74,904,043
Total assets.....	\$112,448,357
Equity ratio.....	34.3
Total employees	49



Directors

Northern Plains Electric Cooperative's board of directors consists of nine members from throughout the service area. They are, back from left, **Mark Brehm**, Cando; Secretary/Treasurer **Randall Simon**, Oberon; **Bruce Olsen**, Cando; **Dave Teigen**, Rugby; **Jack Geske**, Pingree; Vice President **Curtis Wiesz**, Heaton. Pictured front row, from left, are **Curtis Hanson**, Pettibone; President **Tracy Boe**, Mylo; and **Russell Carlson**, Jamestown.

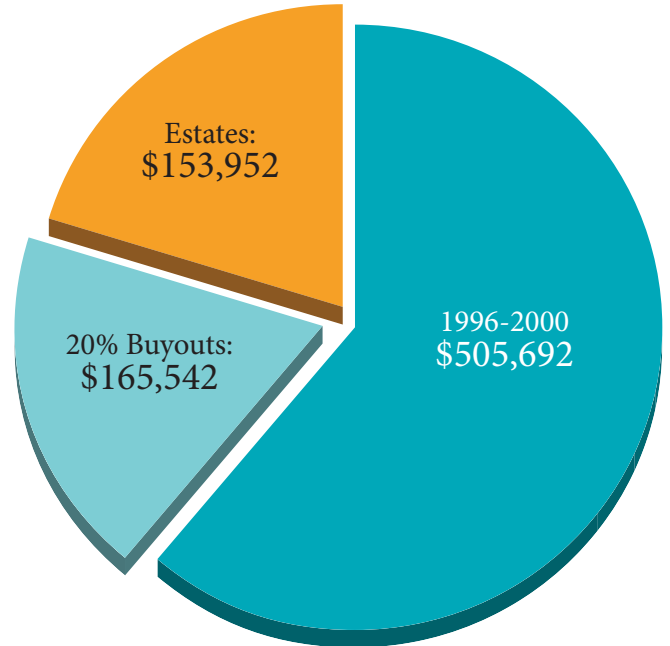
Capital Credits

What are capital credits?

Northern Plains Electric is a cooperative, owned by its members. That means the co-op doesn't earn profits. If the co-op earns more revenue than it needs to do business, the co-op returns that money to its members.

Who receives capital credits?

This year's capital credit checks were paid to members who purchased electricity from the co-op in 1996-2000. The amount of the check depends on how much electricity the member purchased.



2016 Capital Credits Paid

100% 1996-2000.....	\$505,692
Estates	\$153,952
20% Buyouts.....	\$165,542
Total Retired.....	\$825,186

Operation Round Up

Some 79 percent of all Northern Plains members participate in Operation Round Up (ORU). This program rounds participating members' monthly statement to the next dollar and places the funds in an Operation Round Up trust. The trust is overseen by a five-member board of directors who meet quarterly to disburse the funds to worthy individuals and organizations.

ORU has helped everybody from victims of cancer, heart

attack and stroke to communities helping senior citizens and Boy Scouts. The money is kept in the community, addressing local needs.

Northern Plains Electric Cooperative contributes a small amount of resources each year to administer the program. This year, ORU awarded \$38,900 to help 60 individuals and organizations. Since the program was implemented in 1999, the trust has disbursed \$669,162 to 915 causes.

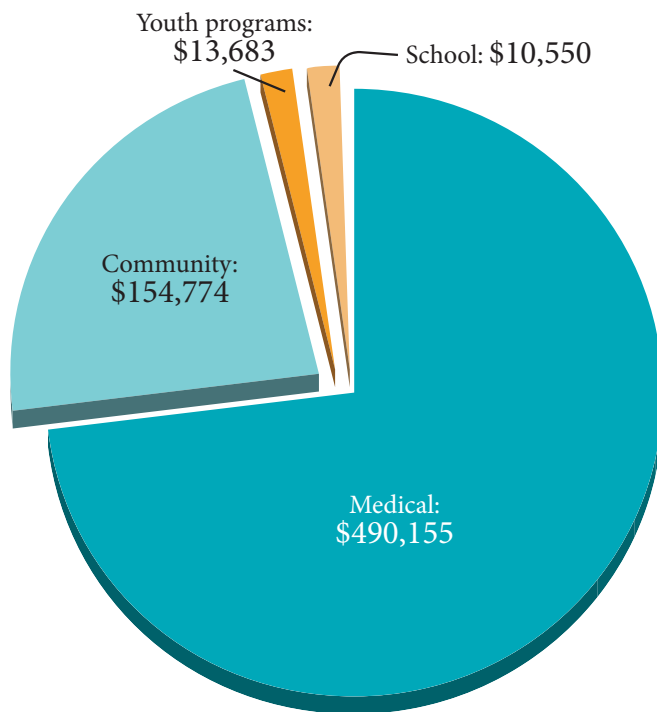


In 2016, Caring-Ton Daycare was the recipient of an Operation Round Up donation.

Above: Children recite the Pledge of Allegiance as they begin their day at the Caring-Ton Daycare Center.

Below: Youngsters enjoy playing their Hot-Wheels game at Caring-Ton Daycare.

Who was helped by Operation Round Up since the program was launched at Northern Plains in 1998?



2016 ORU Financial Report

Beginning Balance (Jan 1, 2016)\$6,582.03

Income:

Round Up Memorial Donations \$64.39
 Round Up Contributions \$41,663.34
Total Income\$41,727.73

Expenses:

Grants given in 2016 \$38,900.00
 Total Expenses \$38,900.00
Ending Balance (Dec 31, 2016)\$9,409.76

Safety first...

Despite having spent thousands of dollars on safety advertising, the number of Northern Plains Electric's powerline poles damaged by farm machinery has increased dramatically over the past eight years.

The number jumped from seven poles in 2009, to 39 poles in 2016. However, 2016 was not the worst year, in 2015, 47 poles were damaged.

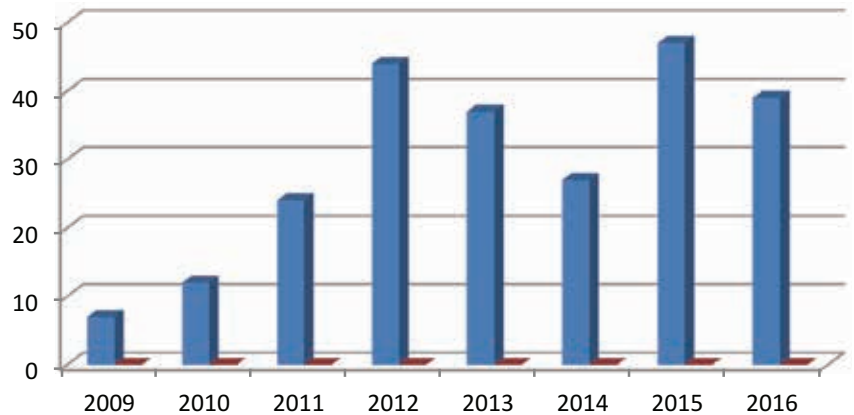
So far, luck has been on our side, and we have experienced no injuries or fatalities.

Be aware – be careful!

As you go about your farming operations, we urge you to give safety the highest priority. Note the location of all power lines in your fields and make sure you keep adequate clearance, as you go about your work.

Northern Plains has seen a shocking increase in poles damaged by machinery from 2009 to 2016.

Poles Damaged By Public



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BOARD & MANAGEMENT:

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 Vice president **Curtis Wiesz, Heaton**
 Secretary/treasurer **Randall Simon, Oberon**
 Assistant Secretary/treasurer **Dave Teigen, Rugby**
 District 1 **Mark Brehm, Cando**
 District 1 **Bruce Olsen, Cando**
 District 3 **Russell Carlson, Jamestown**
 District 3 **Jack Geske, Pingree**
 District 3 **Curtis Hanson, Pettibone**
 General Manager **Bruce Garber**

Manager of Engineering **Seth Syverson**
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