



# NETWORK NEWS

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

Fall 2008

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## Rising Costs Make 2009 Rate Increase Necessary

Increasing costs from NIPCO's two power suppliers will require that NIPCO raise its average rate to members.

NIPCO's board of directors, at its Oct. 28 meeting, approved the 19.4 percent rate increase beginning in January 2009.

NIPCO buys power from two sources. Both Western Area Power Administration and Basin Electric Power Cooperative have experienced substantial increases in cost of operations and have passed those increases along to NIPCO.

"Nobody likes rate increases," says Kent Pauling, NIPCO's executive vice president and general manager, "but we are seeing price increases from our power suppliers that we must pass on to our members because of our cost-based rates."

While the majority of NIPCO's budget is a pass-through of purchased power costs, Pauling added, the cooperative is vigilant about controlling other expenses.

NIPCO purchases about one-quarter of its power from WAPA, which sells electricity generated from the six dams along the Missouri River. A drought has curtailed electric production from the dams since 2000 and WAPA purchased power from other providers to meet its commitment to its electric customers, including NIPCO. While the price of power generated on the Missouri River is very economical, the price of purchased power to replace hydropower is relatively expensive.

The drought has eased and water levels in the dams are rising, but WAPA power customers will be paying a "drought adder" on top of the normal power charge at least through 2019 so WAPA can recoup the cost of buying power on the open market.

NIPCO buys the remaining three-quarters of its power supply from Basin Electric, which like all other electric utilities, has seen the cost of operation increase on all fronts.

To continue to meet its members' growing electricity needs, Basin Electric plans to invest \$5.1 billion in new generation facilities from 2009 through 2018. Plans call for a new baseload generating station that will provide power 24/7, as well as \$567 million of new renewable wind power. Construction costs continue to rise, as does the cost of operating existing plants. Rising fuel prices have impacted transportation costs which drive up costs of all goods and services. Adding to these increased costs is the world-wide demand for all construction materials used to build, operate and maintain electric generation and transmission systems.



Significantly lower water levels at the Missouri River dams have curtailed power production since 2000, causing a price increase in hydropower through 2019.

## Basin Electric Wind Portfolio Will More Than Triple

Four new wind power projects are underway at Basin Electric Power Cooperative, which supplies three-fourths of the power to NIPCO members.

At the cooperative's annual meeting in Bismarck in early November, Ron Harper, Basin Electric's CEO and general manager, announced that Wilton (N.D.) Wind Energy Center will double in size within two years.

"Three years ago, at our annual meeting, our membership made it clear they wanted Basin Electric to be a leader in the development of renewable energy by setting one of the most aggressive renewable energy goals in the country," Harper said. "Unlike others who promise and forget, we are well on our way to fulfilling that promise."

Opened in 2006, it currently has 33 turbines capable of producing up to a total of 49.5 megawatts of electricity. The wind farm just north of Bismarck is owned by FPL Energy and Basin

Electric purchases all of its output.

In addition to that, Basin Electric is planning construction of a 77-turbine, 115.5-megawatt wind farm near Minot, which is expected to begin production in 2010, and another near Crow Lake, S.D., which will have 101 turbines capable of producing up to 150 megawatts. The South Dakota wind farm could be in production by 2010 or 2011. The projects near Minot and Crow Lake both will be cooperative-owned.

In addition to these larger projects, Basin Electric also is installing three more turbines at its original Minot site where two turbines went online in January 2002.

With 136 megawatts of owned or purchased wind power already in its portfolio, Basin Electric will have a total of more than 450 megawatts of wind power when these four new projects are completed. ❖

## Rate Increase

*continued from page 1*

Also looming over the electric industry is possible carbon taxation. Basin Electric estimates that a carbon tax could increase its member rate by 10 percent starting in 2012. If enacted, the carbon tax would become an ever-larger part of Basin Electric's rate to its members.

A bright spot in Basin Electric's future is its subsidiary, the Great Plains Synfuels plant, located near Beulah, N.D., near one of the cooperative's coal-fired generating stations, Antelope Valley, and one of its lignite coal mines. Great Plains Synfuels produces synthetic natural gas, carbon dioxide, fertilizers and many other products from coal mined there. The coal that can't be used in this production process goes to Antelope Valley Station where it is used to create electricity. Profits from Great Plains Synfuels go to Basin Electric. ❖

## Infrared Camera Visualizes Energy Leaks, Hot Spots

NIPCO's crews have been using an infrared camera this fall to detect substation hot spots that can't be seen by the human eye.

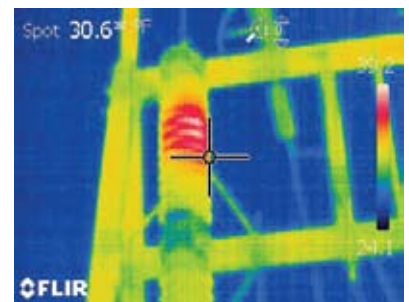


Tom Berkenpas, crew foreman; Roger Armstrong, heavy equipment operator; and Steve Harringa, crew foreman, from left, experiment with the infrared camera during training.

The camera, owned by Basin Electric and loaned out to its member cooperatives, detects the photo subject's radiation of heat and records a color-coded digital image of the temperature variations. The camera helped locate one situation needing immediate work and other areas needing maintenance.

Basin Electric provided training to 58 persons from cooperatives and municipal electric systems in NIPCO's service area this fall. The infrared camera is available to those utilities to detect energy leaks in their equipment, as well as in residential and industrial situations.

The camera can detect inadequate insulation, leaking seals, loose wiring, overloaded circuits and ground problems, as well as equipment abnormalities in motors, pumps and compressors. ❖



The red spot in this infrared photo is a hot arrester in a switch station. The camera helped identify items needing maintenance.

## NIPCO Submits Request for FEMA Reimbursement

Expenses associated with repair to some of NIPCO's tornado-damaged transmission system could be reimbursed by the Federal Emergency Management Agency.

NIPCO submitted a \$77,000 application for reimbursement in mid-October. FEMA has not yet responded to the request.

While NIPCO lost 23 poles in the storms this summer, only 12 were eligible for replacement reimbursement. No conductor was damaged in the calamitous storm, which also destroyed a Boy Scout camp near Little Sioux.

Matt Washburn, NIPCO's vice president of management services and chief financial officer, said he was surprised when FEMA officials let him know the replacement of storm-damaged poles and associated labor were eligible for disaster coverage. NIPCO has weather-related damages annually.

Most of Iowa's counties were declared federal disaster areas follow-

ing flooding and storms this summer. President George Bush issued the disaster declaration following historic eastern Iowa flooding, and later expanded the declaration to cover natural disasters occurring between May 25 and Aug. 13.

Plant accountant Kathy Ruden prepared the FEMA application, spending time learning FEMA regulations and procedures, and gathering the supporting data for the submission.

During the June 11 storms, NIPCO lost poles along Early Avenue southeast of Blencoe, which closed that road until the repairs were made.

In addition, poles were pulled out of the ground in southeastern O'Brien County, and other poles near Aspinwall in southeast Crawford County were broken.

The storms included a tornado as well as strong, straight-line winds. ❖

## Two NIPCO Employees Will Retire at Year's End

Two longtime NIPCO employees will retire at the end of 2008.

Gerald "Jerry" Lubben, electrician foreman, has been with NIPCO since late 1965 when, at the age of 21, he became one of NIPCO's building and grounds custodians. In 1990 he transferred to the apparatus department as an electrician, becoming foreman in 2000.



He heads the crew that is responsible for all the electrical equipment in NIPCO's substations, switch stations and buildings throughout the 6,500-square-mile system.

Jerry and his wife Judy live at Remsen. They have six children, eight grandchildren and seven great-grandchildren, with two more great-grandchildren expected soon.

Elvira Nielsen joined NIPCO in March 1981 as temporary receptionist. Three months later, she became a permanent employee.

While her job included many other duties, Elvira is the face and voice of NIPCO. She is responsible for greeting visitors to the building and answering incoming phone calls during normal business hours.



Born and raised on a farm in rural Akron, Elvira is married to Norm Nielsen. They have three children, seven grandchildren and two great-grandchildren on the way. ❖



*This is one of 23 NIPCO poles damaged when strong winds and a tornado swept through Harrison and Monona counties on June 11. While the poles were snapped off, the conductor remained unbroken.*

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### **Gas Line Addition Serves New Bean Crush Plant**

NIPCO's diminutive natural gas distribution system grew this fall with the installation of 800 feet of 4-inch pipeline.

The new line will serve Maple River Energy, a soybean crush plant and biodiesel production facility south of Galva.

Maple River Energy is located in a complex which also contains Quad County Corn Processors, an ethanol plant, and Air Liquide, which produces dry ice.

NIPCO owns a half-mile of 6-inch natural gas pipeline serving the ethanol plant, with an extension of 2-inch pipe to the dry ice plant. Those lines were built in 2001.

The new pipeline to Maple River Energy was built by contractor Infra Source while Black Hills Energy installed the riser and meter set.

Maple River Energy is expected to start production in January. ❖

