

Change ... The Next
75 Years

NORTH STAR ELECTRIC COOPERATIVE

2015 ANNUAL REPORT

October 2, 2015



North Star
ELECTRIC COOPERATIVE

Your Touchstone Energy® Cooperative 

BOARD OF DIRECTORS



Steve Arnesen
District 1



Mike Trueman
District 2



Randy Bergan
District 3



Michael Hanson
District 4



Bruce Polkinghorne
District 5



Lorraine Nygaard
District 6



Julian Brzoznowski
District 7

Serving since:

Julian Brzoznowski	1983
Steve Arnesen	1986
Bruce Polkinghorne	1989
Michael Hanson	1994
Randy Bergan	1999
Mike Trueman	2002
Lorraine Nygaard	2007

MISSION STATEMENT

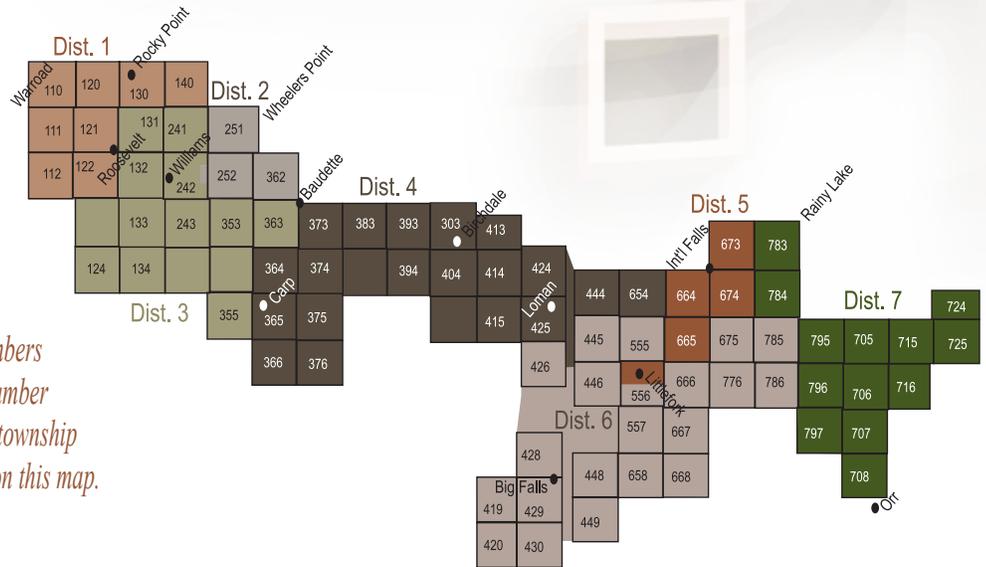
To improve the lives of our member-owners and community by responsibly providing clean, affordable electric energy and other beneficial services while maintaining the very highest standards of performance and member satisfaction.

An annual meeting is a meeting of the member-owners of the cooperative. It provides the opportunity to vote for the director of your choice and to express your opinions about the operations of your cooperative. It also provides you with the opportunity to become better informed through the reports of officers and employees. This will be a successful meeting if all who attend gain some knowledge of their cooperative. A well-informed membership is the basis of a strong cooperative.

DIRECTOR CANDIDATE



*The first three numbers
of your account number
correspond to the township
number included on this map.*



District 7 - Julian Brzoznowski

Julian Brzoznowski is a lifelong resident of the Orr area. He and his wife, JoAnn, have six grown children and 10 grandchildren. Julian attended high school in Orr and attended the University of Minnesota for two years. He has been self-employed as a logger, farmer and business owner and worked as a creel census taker for the DNR.

Julian is seeking re-election for a four-year term for District 7. He has served on the North Star Electric board for 32 years and was president of the board for 14 years. He also served as director on the Minnkota Power board for more than 12 years. During his term as a director, Brzoznowski has attended several training seminars and has become a credentialed board member. He has served on several other boards as well, including the Cook Community Hospital board, the Lake Kabetogama Cemetery board, the Sportsman's Club and the Snowmobile Club, and was President of the Orr PTA.

Julian enjoys being a director at North Star because he knows that he is helping his community. He knows the electric industry has some very large challenges in the future and, with his 32 years of experience, he can help North Star and Minnkota make the right choices on tough decisions that must be made.



You feed America. We feed your farm.

America depends on farmers. And farmers in our region depend on reliable electricity. From spring planting through fall harvest, it takes a steady supply of electric power to keep the farm running. And it's not just keeping the lights on. Modern farms are using electricity in new ways. Whether it's irrigating fields, drying grain or milking cows, North Star Electric Cooperative is ready to deliver a powerful value – each and every day.



NORTH STAR ELECTRIC
COOPERATIVE

218-634-2202 or 1-888-634-2202 • www.northstarelectric.coop

PRESIDENT AND MANAGER'S REPORT



Board President Steve Arnesen and
General Manager Ann Ellis

When we celebrated our 75th anniversary with many of you in June, we looked back at the dramatic changes that have occurred in that amount of time. The 4-H club helped us think about what life would be like without electricity. Most of us don't remember getting electricity for the first time, but some do. We think you'll enjoy the letter provided by member Gloria Baade that is reprinted on the adjacent page.

As we close that chapter, we turn our focus to the future – *the NEXT 75 years*.

How will our electricity be generated? What technology will be developed that will transform our everyday living? Will carbon become a useful commodity, similar to gasoline, which used to be a hard-to-get-rid-of, worthless by-product of the oil refining process?

The big question is, "What is the future of coal?" We have an estimated 800-year supply in our backyard. Minnkota Power

Cooperative, our G&T (generation and transmission) cooperative, has made huge, but costly, strides to significantly reduce emissions, integrate large amounts of wind energy, and operates in one of only seven states that meet all of the EPA's strict federal ambient air quality standards. But instead of rewarding our good stewardship, the EPA unveiled its final rule that changed our carbon dioxide reduction target from one of the lowest in the nation to the second highest – from 11 percent to 45 percent. On top of that, we have just one year to decide how to radically transform the energy industry. You will hear more about this from Mac McLennan, Minnkota president & CEO, in his Power Supply Report.

Let's shift to some of North Star Electric Cooperative's accomplishments this past year, because we are continually exploring opportunities to make your life better. This last year we began offering a way for you to monitor your DAILY usage in real-time to help you control your electric bill. MyMeter also helps members who are away by providing alerts if usage deviates from the norm. We've also made changes to help protect your identity. We continue to build and maintain power lines to keep your service reliable. We brought back the off-peak heating rebate to help you install or replace your electric heating system. We completed our first year of operation of the 5-kW solar demonstration project

located on our front lawn. (See how it's working by checking out our website: www.nse.coop.) We continued to bring your concerns to St. Paul, Minn., and Washington, D.C.

Financially, we had a good year in 2014. 2015 has been a bit different with decreased sales, which appears to be impacted by all the help we give members to reduce their energy consumption. Because some of your cooperative's fixed costs to provide reliable distribution infrastructure are included in the price per kilowatt-hour, reduced kWh sales have an impact on our operating statement bottom line. For this reason, 2015 is one of those rare years when we will unfortunately not have a normal capital credit refund.

Have you noticed new faces at the co-op? Almost a third of our employees have been hired in the past three years, and their average age is 28. This next generation of employees is proving themselves to be great cooperative employees demonstrating the co-op's purpose – "It's All About the Members."

We can't really imagine what life will be like 75 years from now, but electricity will certainly be a critical component of it.

Is there anything that won't change? Yes, it's our commitment to you, our member-owners. At North Star Electric Co-op, "It's All About the Members," and we will continue to be your trusted energy resource. Thank you for the opportunity to serve you.

Ann and Steve

Gloria Baade letter:

When I read that you wanted stories, etc. about when our lights were first turned on, I called my siblings to find out if they remembered anything. We think we got electricity in 1942 or 1943, and that the electrician was a neighbor, Ed Bratton.

Our first light bulb hung over our dining room table from an electric wire attached to the ceiling and all of us were sure we must have been amazed.

No more carrying kerosene lamps or lanterns where we needed light, no more washing lamp globes or trimming wicks, no more doing homework by lamplight and no more dead radio batteries. And a yard light! But there was also an admonition if we stayed up too late, "Turn off those lights, electricity costs money."

We wondered if our first electrical appliance we got could have been a radio. Our dad liked to listen to the news and followed blow-by-blow Friday night boxing matches between Joe Louis and his opponents. Mom always listened to Ma Perkins in the afternoons and when we listened to the Grand Ole Opry with Minnie Pearl on Saturday nights, we learned how to dance with each other as our partners.

But the most memorable event happened when our parents were not at home and my two older sisters and I were alone in the house. Our plug-ins did not have any covers on them and we were told, over and over again, to never poke anything into them. So, naturally, we were curious. We decided to find out. The oldest of us (the naughty one) wrapped towels around two table knives and stuck one on each side into the plug-in. The sparks flew, we were scared to death, and each knife had a hole burned into the edges of them. My "naughty" sister told our parents that they had gotten burned by letting them lay on our wood-burning kitchen stove too long! I bet they really believed that!

— Submitted by Gloria Baade

What is MyMeter?

MyMeter allows you to:



- View your daily energy use online from the convenience of your home or smart phone
- Receive notifications

via text message or email regarding unusual energy use

- Better manage your own account and energy use
- Set energy goals or markers signifying events in the home, such as energy efficient upgrades or leaving for vacation

Opening your MyMeter account is easy!

1. With a copy of your electric bill available, go to: <https://mymeter.northstarelectric.coop>
2. In the upper right corner, click on **"Create an Account"**
3. Enter your account number, name, email address, and choose a password
4. Click on **"Create Account"** and you're ready to go!

* MyMeter data is dependent on accurate daily automatic meter readings.



ANNUAL MEETING MINUTES

Annual meeting of the members of North Star Electric Cooperative, Inc., Oct. 3, 2014

The annual meeting of the members of North Star Electric Cooperative, Inc., was held at the Lake of the Woods School in Baudette, Minn., on Friday, Oct. 3, 2014, pursuant to the notice of the meeting published in the cooperative's newsletter.

The meeting was preceded by the registration of the members. A delicious turkey dinner was served by the Lake of the Woods School kitchen staff. Entertainment was provided by the "Sloughgrass Band" from Birchdale, Minn. Due to the inclement weather and delayed buses, the start of the meeting was delayed 15 minutes.

Colors were presented and the National

Anthem was sung by the "Sloughgrass Band."

General Manager Dan Hoskins welcomed the members to their 74th annual meeting and introduced President Arnesen.

President Arnesen called the meeting to order at 6:22 p.m. and gave the invocation. He then introduced the board of directors.

President Arnesen reported the number of registered members as 165, which exceeded the minimum requirements of 50 for a quorum. He then introduced Secretary Mike Hanson.

President Arnesen then recognized the guests in the audience. Visiting distinguished guests included Bruce Bjerke of Clearwater-Polk Electric Cooperative; Bruce Leino, Jim White, Walter Breeze and Wes Waller of North Itasca Electric Cooperative; Duane Otto of Cavalier Rural Electric Cooperative; Curt Hukee, Mel Ortmann, Dale Moser and Wes McFarlane of Roseau Electric Cooperative; Mike Monsrud of Itasca-Mantrap Electric Cooperative; Rep. Roger Erickson, former

Rep. Dave Hancock and Darrick Moe of MREA.

Secretary Hanson read the Notice of the 2014 Annual Meeting. A motion was made by Jack Stanhope, seconded by Margaret Anderson and unanimously carried, to approve the 2014 notice and agenda as presented.

Secretary Hanson reported that the minutes of the 2013 annual meeting of the members were printed in the annual report handed out during registration. A motion was made by Aprille Levasseur, seconded by Stephen LaValla and unanimously carried, to approve the minutes of the 2013 annual meeting as presented.

Secretary-Treasurer Hanson gave the treasurer's report and also reported on the favorable results of the annual audit, conducted by Eide Bailly.

President Arnesen conducted the election for directors in Districts 2 and 3. President

(continued on page 7)

NORTH STAR ELECTRIC COOPERATIVE EMPLOYEES



Ann Ellis



Wayne Haukaas



Marty Mollberg



Robyn Sonstegard



Patsy Olson



Bruce Petersen



Todd Thydean



Susan Williams



Tim Pelach



Kevin Holen



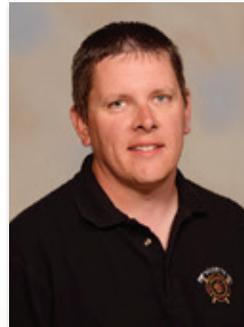
Glen Marcotte



Todd Higgins



Jim Kuehl



Brad Dolinski



Tessa Strohl



Jesse Huot



Darren Koschak



Toby Wahl



Preston Kennedy



Brittany Hanson



Nick Horne



Nathan Zortman



Nick Andreas



Chase Ballard

	<u>Position</u>	<u>Years of service</u>
Ann Ellis	General Manager	38
STAFF		
Wayne Haukaas	Manager of Compliance & Member Services	27
Marty Mollberg	Manager of Operations	27
Robyn Sonstegard	Manager of Finance & Administration	8
EMPLOYEES		
Patsy Olson	Billing Coordinator	39
Bruce Petersen	Line Foreman	37
Todd Thydean	Line Sub-Foreman	27
Susan Williams	Supervisor, District Office Services	27
Tim Pelach	Line Foreman	24
Kevin Holen	Member Service Electrician	19
Glen Marcotte	Work Order Clerk	13

	<u>Position</u>	<u>Years of service</u>
Todd Higgins	Line Sub-Foreman	12
Jim Kuehl	Part-time Handyman/Groundskeeper	12
Brad Dolinski	Purchasing Agent/CAD Draftsman	10
Tessa Strohl	Bookkeeping Coordinator	6
Jesse Huot	Journeyman Lineman	2
Darren Koschak	Lead Lineman	2
Toby Wahl	Journeyman Lineman	2
Preston Kennedy	Lead Lineman	2
Brittany Hanson	Billing Clerk/Administrative Assistant	1
Nick Horne	Apprentice Lineman	1
Nathan Zortman	Journeyman Lineman	
Nick Andreas	Part-time Summer Apprentice Lineman	
Chase Ballard	Part-time Summer Apprentice Lineman	

ANNUAL MEETING MINUTES

(continued from page 5)

Arnesen introduced the candidates. Michael Trueman, the only candidate for District 2, and Randy Bergan, the only candidate for District 3, addressed the members.

President Arnesen explained that if a motion was made to declare the candidates elected, there would be no need to conduct an election.

A motion was made by Jack Stanhope, seconded by Jody Horntvedt and unanimously carried, to cast a unanimous ballot for District 2 candidate Michael Trueman.

A motion was made by Raymond Johnson, seconded by Jim Jewell and unanimously carried, to cast a unanimous ballot for District 3 candidate Randy Bergan.

President Arnesen introduced Manager of Finance and Administration Ann Ellis, who provided an informative slide presentation on rates and the financial status of the cooperative.

A motion was made by Kenny Larson, seconded by Margaret Anderson and unanimously approved, to accept the

financial report.

Mike Monsrud, CEO of Itasca-Mantrap, presented General Manager Dan Hoskins with a plaque on behalf of the Minnesota State Community and Technical College in appreciation of his efforts in establishing the electrical line workers' program in Baudette and his ongoing support.

General Manager Hoskins recognized the following employees for their years of service: Tessa Strohl – 5 years, Jesse Huot – 1 year, Darren Koschak – 1 year, and Toby Wahl – 1 year. He also introduced new employee Brittany Hanson to the audience, as well as recognized the other employees at the meeting.

This being North Star Electric's 74th year, Manager Hoskins had a drawing for \$74. This was won by Richard Harrow of Williams. Prizes drawn throughout the evening totaled \$2,000 in energy credits. The winners of the energy credit prizes were:

- \$50 Jack Howdahl of Baudette
- \$50 Harvey Lehman of Littlefork
- \$50 Dale Wilmer of Roosevelt
- \$50 William Olson of Roosevelt
- \$50 Jim Jewell of Williams
- \$100 Tom Levasseur of Baudette
- \$100 Mary Moe of International Falls
- \$100 Richard Corle of Baudette
- \$100 Don Robertson of St. Paul
- \$100 Reynold Lofgren of Littlefork
- \$100 William Lockner of Baudette

- \$100 Gary Arnold of International Falls
- \$100 Rubelle Towne of Baudette
- \$100 Stephen LaValla of Crystal
- \$100 William Boelk of Littlefork
- \$250 Roger Birkeland of Baudette
- \$500 Ernest Plutko of Baudette

President Arnesen introduced Darrick Moe, CEO of MREA, to the audience. Mr. Moe spoke to the audience about current trends in the electric cooperative industry and presented a donation on behalf of MREA to the Baudette electrical line workers' program. Gary Hull, former North Star employee and current instructor at the line workers' school, accepted the donation on behalf of the Minnesota State Community and Technical College.

President Arnesen thanked the Lake of the Woods School kitchen staff for preparing the delicious dinner, and the special guests and the members for coming to their annual meeting to show their concern and support for the cooperative.

President Arnesen asked the members for any old business. There was no old business.

President Arnesen asked the members for any new business. There was no new business.

There being no further business, a motion was made by Ed Erickson, seconded by Jack Stanhope and unanimously carried, to adjourn the meeting at 7:25 p.m.

POWER SUPPLY REPORT



By Mac McLennan
President & CEO
Minnkota Power Cooperative, Inc.

Before I summarize highlights from the past year at Minnkota Power Cooperative, I would be remiss if I didn't thank your former General Manager, Dan Hoskins, for his great

service to North Star in particular and electric utilities in general.

Dan has a "can-do" attitude, and made North Star and the Baudette area a better place through his work at the cooperative and elsewhere in the community. He is the big reason Minnesota State Community and Technical College has a branch of its Wadena line workers' school on land next to the co-op in Baudette, and also helped with a golf course renovation and other projects in the community over the years.

Enjoy your retirement, Dan.

I know one thing Dan doesn't miss is dealing with the constant regulatory challenges North Star and Minnkota face from the U.S. Environmental Protection Agency (EPA). The EPA shocked North Star, Minnkota and the state of North Dakota with its final Clean Power Plan released in August. The shock came from the substantial departure of the final rule from the draft rule.

The EPA finalized regulations Aug. 3 to limit carbon dioxide (CO₂) emissions from power plants – a move that will dramatically reshape how America generates and uses

electricity if it survives legal challenges.

President Obama announced the rule, referred to as the Clean Power Plan, requiring a 32 percent cut in CO₂ emissions nationwide by 2030, compared to 2005 levels. The EPA determined different targets each state must meet in order to achieve the overall national reduction goal.



The Milton R. Young Station supplies a portion of North Star's energy.

Minnkota generates all of its electricity in North Dakota, which has the nation's second-highest state reduction goal at 45 percent. This is a steep increase from the 11 percent goal the EPA originally proposed for North Dakota in June 2014. Minnkota and others in the state's energy industry are working to understand the rationale behind more than quadrupling the requirement.

We continue to review and

analyze this 1,560-page rule, but it is clear the electric consumers in North Dakota and Minnesota will see an impact on their electric rates. We're committed to working with state regulators to determine the best path forward. Stay tuned for more on this issue.

On a more positive note on the regulatory front, a federal judge in North Dakota acted Aug. 27 to block an EPA controversial water rule.

Just hours before it was to take effect, Judge Ralph Erickson of the District Court for the District of North Dakota found that the 13 states suing to block the rule met the conditions necessary for a preliminary injunction, including that they would likely be harmed if courts didn't act and that they are likely to succeed when their underlying lawsuit against the rule is decided.

The decision is a roadblock for the EPA and the Army Corps of Engineers, who were planning to begin enforcing the Waters of the United States (WOTUS) rule in every state, dramatically expanding federal jurisdiction over small waterways like streams and wetlands. Minnkota and other electric cooperatives engage in activities that require obtaining permits under the Clean Water Act. The rule may result in the significantly increased regulation of numerous additional projects and facilities. This could include routine activities such as power line maintenance and other system

upgrades. The resulting burden of time and resources spent could be substantial for a very minimal or nonexistent environmental benefit.

I testified in March at a U.S. Senate committee hearing on the rule. I represented the perspective of the electric cooperative industry, which serves the majority of the nation's agricultural producers.

The EPA is going forward with the new federal rule, despite the court ruling that blocked the measure in the 13 central and western states. The rule took effect Aug. 28 in the other 37 states.

Elsewhere, two new processes have been added at Minnkota's

Milton R. Young Station that will reduce the plant's mercury emissions by an estimated 50 to 60 percent.

Our lignite coal-based power plant must meet a new federal standard for mercury emissions that became effective on April 16, 2015. With the addition of liquid halogen and powdered-activated carbon (PAC) injection systems has the Young Station meeting the EPA's Mercury and Air Toxics Standard (MATS).

As you review this article, it becomes clear that there are significant challenges to maintain affordable and reliable electricity in our region of the world.

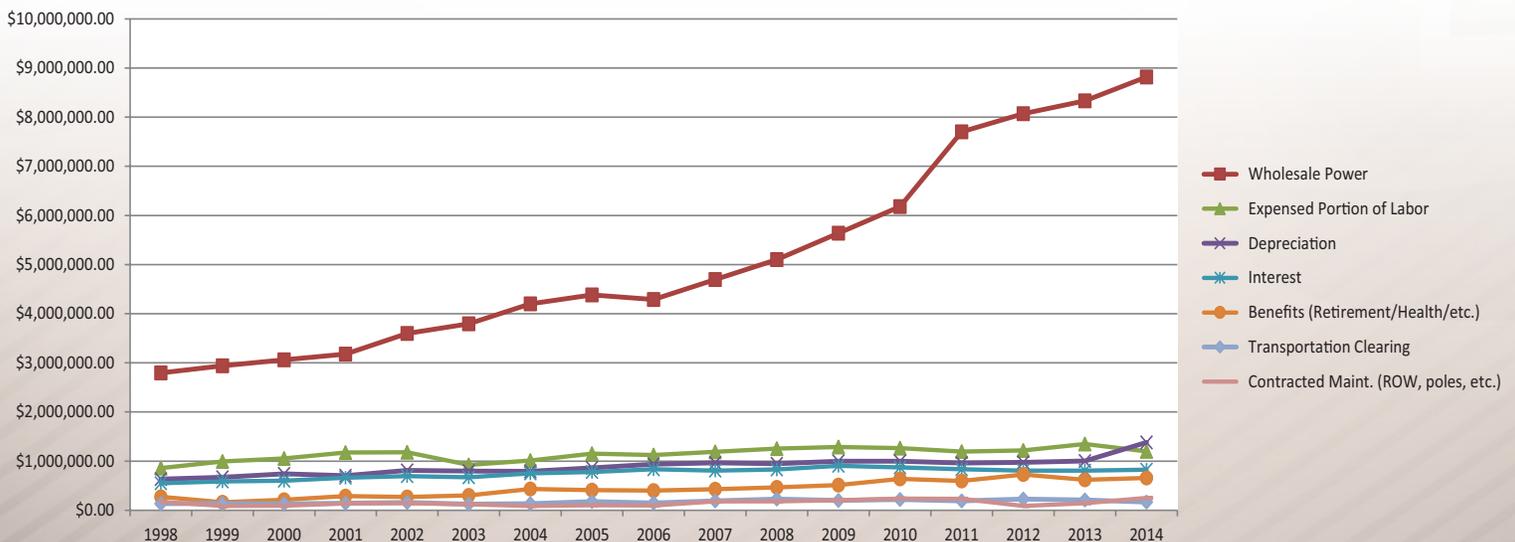
However, even with the challenges of EPA regulations and legislative mandates, it's our pledge to do everything possible to help North Star keep its electricity as the best energy value in the region.



A powdered-activated carbon storage silo is hoisted into the air by a 400-ton crane at the Young Station, located near Center, N.D. The silo will store additives used in new mercury reduction processes.

HIGHEST COST EXPENSES

These lines represent our largest expenses for the last 17 years. Cost of Power is the quickly climbing line, in spite of the fact that the number of kWh sold were rather unchanged between 2000 and 2012. Wholesale power, per kWh, has stabilized in 2013 and 2014. The lines along the bottom include labor, depreciation, interest, benefits and transportation.



YOUR 2014 DOLLAR

Where it came from:

Farms and Homes	\$ 9,802,452
Small Commercial	3,942,500
Large Commercial	0
Seasonal	535,625
Street Lighting	31,500
Consumer Penalties & Misc. Electric Revenue	125,624
Rent from Electric Property	47,802
Total Revenue	\$ 14,485,503

Where it went:

Operation Expense:

Purchased Power	\$ 8,818,213
Operations <i>(includes supervision, safety, mapping, cable locating, etc.)</i>	624,767
Consumer Accounts	327,806
Consumer Services and Information	289,199
Sales	66,064
Administrative and General	1,376,725

Maintenance Expense:

Maintenance of Distribution Plant <i>(includes right-of-way maintenance, outage costs, etc.)</i>	\$ 609,342
Depreciation	1,383,399
Interest	826,668
Taxes	75,000

Total Expense

\$ 14,397,183

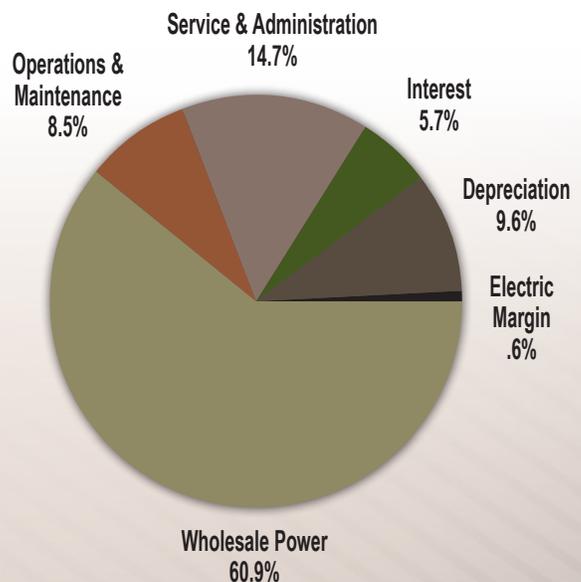
Electric Operation Margin for Year <i>(Revenue less expense)</i>	\$ 88,320
Interest and Dividend Income	216,651
Misc. Nonoperating Margins	(11,494)
Generation and Transmission Capital Credits <i>(Minnkota Power Cooperative)</i>	20,020
Other Capital Credits and Patronage Dividends	85,415

Net Patronage Capital Assigned

\$ 398,912

HOW YOUR 2014 DOLLAR WAS SPENT

Revenue from the sale of our service amounted to \$14,485,503 as of the year ending December 31, 2014.



STATEMENT OF FINANCIAL CONDITION

What we own:

Lines and General Equipment	\$ 42,228,063
Less: Provision for Depreciation	15,587,058
	\$ 26,641,005

Cash:

General Funds	\$ 578,253
Special Funds	20
Investments	1,566,440
Temporary Investments	150,000
Notes Receivable Net	296,250
Receivables	1,763,688
Material and Supplies	620,867
Prepaid Expenses (includes insurance)	89,146
Other Current and Accrued Assets (accrued revenue)	29,900
Deferred Debits (includes prepayments for engineering studies and benefits)	842,790

Total what we own

\$ 32,578,359

What we owe:

Long-Term Obligations	\$ 15,916,500
Current and Accrued Liabilities (includes accounts payable, taxes, interest, deposits, etc.)	2,622,574
Deferred Credits (includes member prepayments)	620,673

Our Equity in Above Assets:

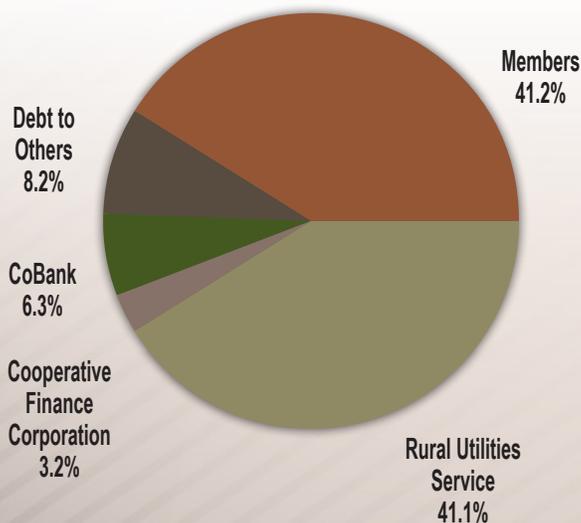
Membership Fees	\$ 26,695
Patronage Capital and Other Equities	13,391,917

Total what we owe

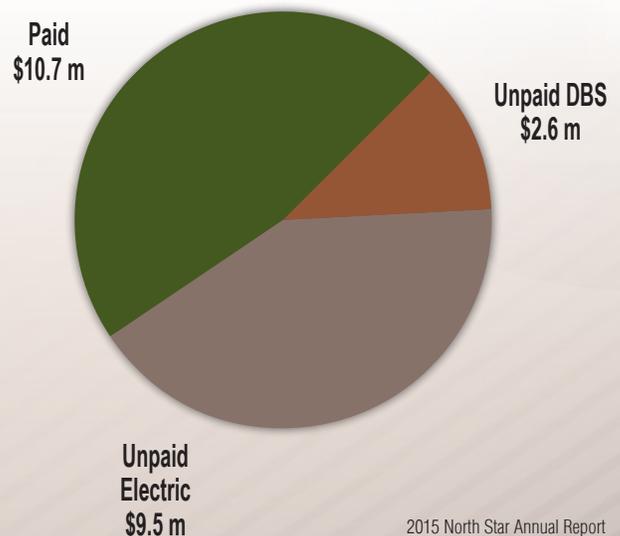
\$ 32,578,359

*Balance
Sheet as of
December 31,
2014*

WHO OWNS WHAT



CAPITAL CREDITS (as of Aug. 2015)

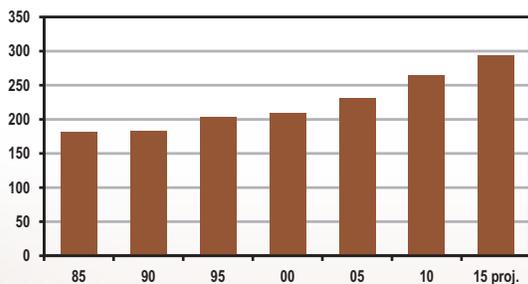


COMPARATIVE OPERATING STATISTICS

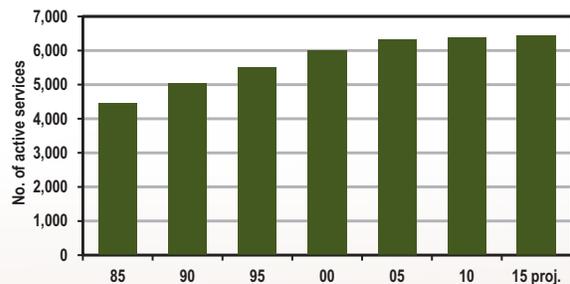
	2010	2011	2012	2013	2014	2015 proj.
Revenues	\$11,595,695	\$13,113,268	\$13,577,072	\$13,998,026	\$14,485,503	\$13,937,726
Cost of Wholesale Power	6,178,195	7,703,546	8,071,602	8,333,789	8,818,213	8,487,673
Operating Expenses	3,069,555	2,946,149	3,070,497	3,238,302	3,293,903	3,541,574
Depreciation	998,400	962,717	975,257	1,001,813	1,383,399	1,074,169
Taxes	0	0	0	0	75,000	72,500
Interest	872,989	836,221	805,454	808,073	826,668	841,108
TOTAL EXPENSES	\$11,119,139	\$12,448,633	\$12,922,810	\$13,381,977	\$14,397,183	\$14,017,024
Operating Margin	\$476,556	\$664,635	\$654,262	\$616,049	\$88,320	(79,298)
kWh Purchased	117,026,307	118,972,535	117,772,420	124,125,276	127,426,696	114,498,859
kWh Sold	109,176,084	111,141,990	109,678,468	116,394,570	118,864,025	107,569,287
Miles of Line	1,405	1,421	1,426	1,431	1,434	1,435
Connected Members	6,384	6,379	6,404	6,396	6,388	6,444
Average Residential Usage*	1,339	1,345	1,273	1,349	1,376	1,288
Average Residential Bill*	139.69	156.05	157.28	161.17	164.99	159.02
Average Residential Rate/kWh* (excludes seasonals)	0.104	0.116	0.124	0.119	0.12	0.123
Average Wholesale Cost to North Star per kWh Sold	0.0566	0.0693	0.0736	0.0716	0.0742	0.0789

* Monthly billed residential accounts

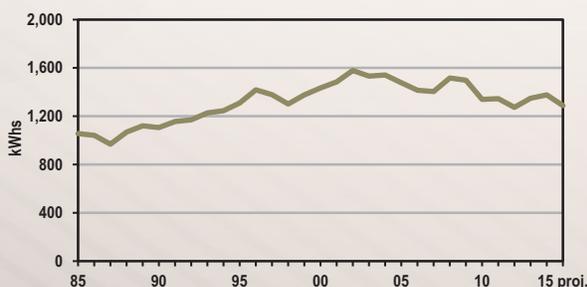
ACCOUNTS PER EMPLOYEE



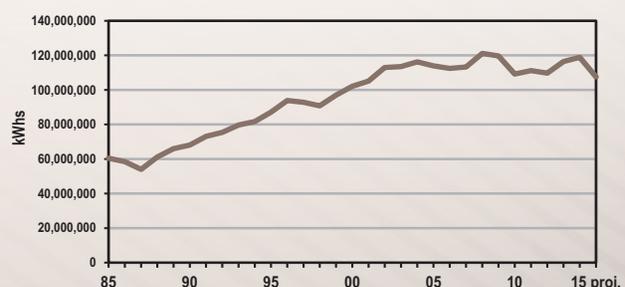
TOTAL ELECTRICAL ACCOUNTS



ELECTRICITY CONSUMED PER RESIDENCE



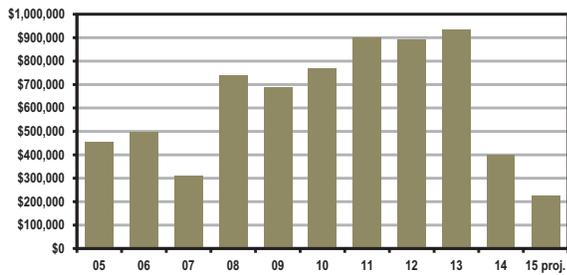
ELECTRICITY CONSUMED CO-OP TOTAL



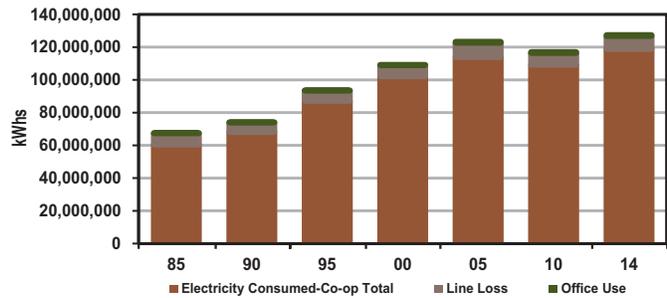
OPERATING COMPARISONS

	New Services	Retired Services	Connects	Disconnects	Net Gain	Sec. Lights Installed	Sec. Lights Removed
1999	133	16	103	102	134	77	42
2000	126	55	72	122	76	67	62
2001	117	17	82	103	96	64	44
2002	113	16	84	120	77	58	47
2003	127	17	74	133	68	51	50
2004	111	27	92	132	71	66	50
2005	87	17	80	137	30	43	34
2006	106	28	85	158	33	122	125
2007	69	27	112	189	-8	35	49
2008	62	52	126	188	0	33	45
2009	57	34	119	171	5	35	43
2010	44	70	130	153	21	24	50
2011	41	25	93	133	1	17	48
2012	63	30	97	137	23	21	40
2013	38	20	92	133	-3	18	26
2014	46	26	109	134	21	15	40

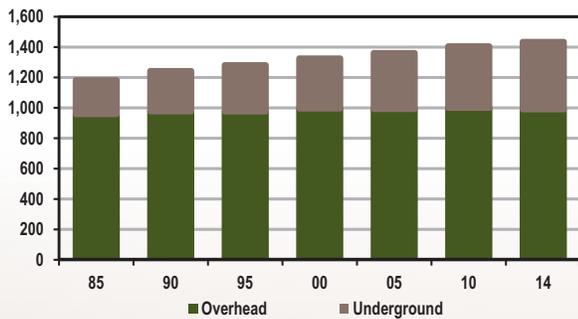
MARGINS



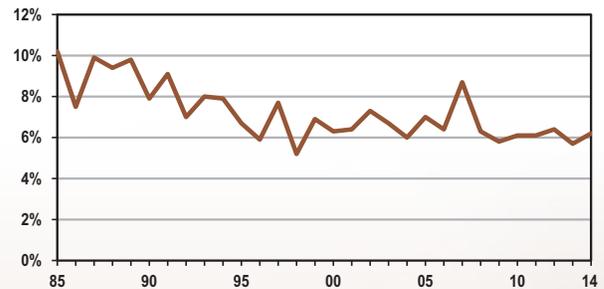
KWH SOLD, OFFICE USE AND LOSSES



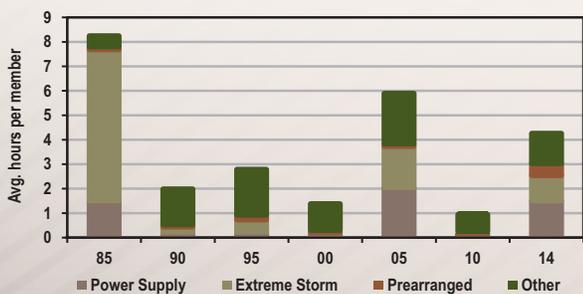
MILES OF LINE



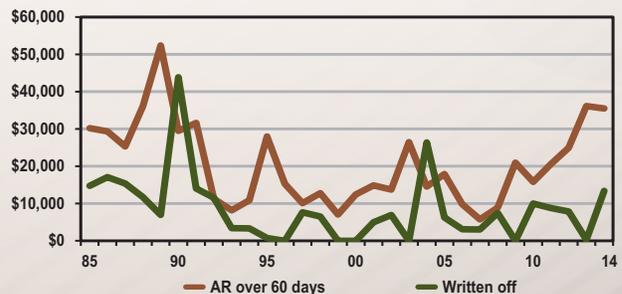
LINE LOSS



OUTAGE TYPES



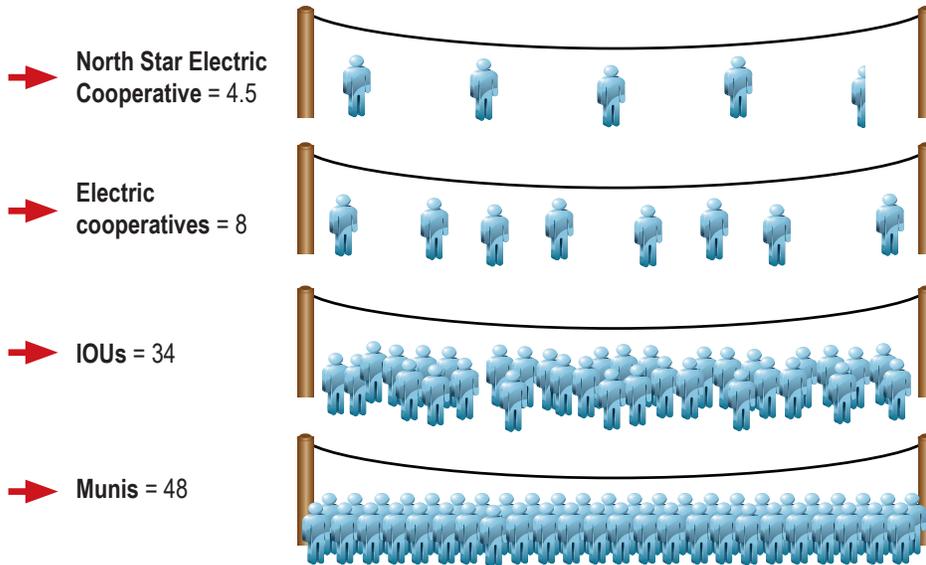
BAD DEBTS AND WRITE-OFFS



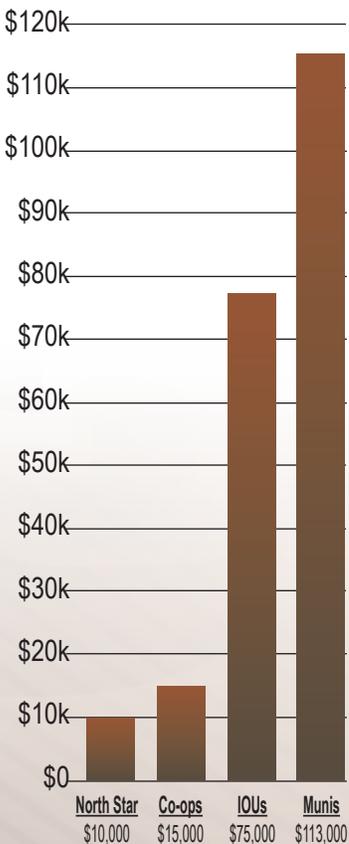
BY THE NUMBERS: *Electric utility comparisons*

Three types of electric utilities serve Minnesotans: consumer-owned cooperatives, investor-owned utilities (IOUs) and municipal-owned utilities (munis). Here's a comparison of North Star Electric to the three different types using numbers for the nation.

Average number of consumers per mile of line



Annual revenue per mile of line



(Sources: NRECA, EIA and Electric Consumers)

Comparative characteristics

TRAIT	CO-OPS	IOUS	MUNIS
Owned by	Consumers	Stockholders	City/town
Number in MN	48	5	125
% of landmass served	80%	10%	10%
% of consumers served	15%	78%	7%
Tax status	Not-for-profit	For-profit	Not-for-profit
Earnings from operations?	Not allowed, returned to members	Paid to investors	Can be used for general fund
Pays income tax?	No	Yes	No
Pays property tax?	Yes	Yes	No
Number in U.S.	912	200	2,000
% of total distribution line	43%	50%	7%
Number of consumers (U.S.)	18.5 million	104 million	21 million
Total assets (U.S.)	\$140 billion	\$870 billion	\$260 billion

ABOUT CO-OPS

Electric cooperatives are private, independent electric utilities, owned by the members they serve. Democratically governed businesses, electric cooperatives are organized under the Cooperative or Rochdale Principles, anchoring them firmly in the communities they serve and ensuring that they are closely regulated by their consumers.

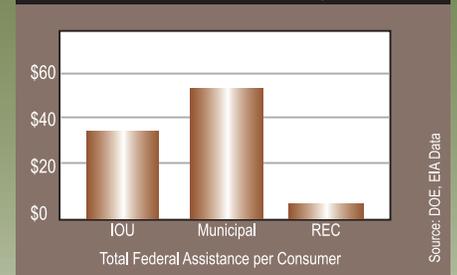
Electric cooperatives began to spread across rural America after President Franklin D. Roosevelt created the Rural Electrification Administration (REA) in 1935. The Executive Order establishing the REA and the passage of the REA Act a year later marked the first steps in a public-private partnership. It has over the last 75 years bridged the vast expanse of rural America to bring electric power to businesses and communities willing to organize cooperatively and accept responsibility for the provision of safe, affordable and reliable electric power.

Today more than 900 electric cooperatives power Alaskan fishing villages, dairy farms in Vermont and the suburbs and exurbs in between. They provide reliable and technologically advanced service to 42 million Americans while maintaining a unique consumer-focused approach to business.

Federal assistance to electric utilities

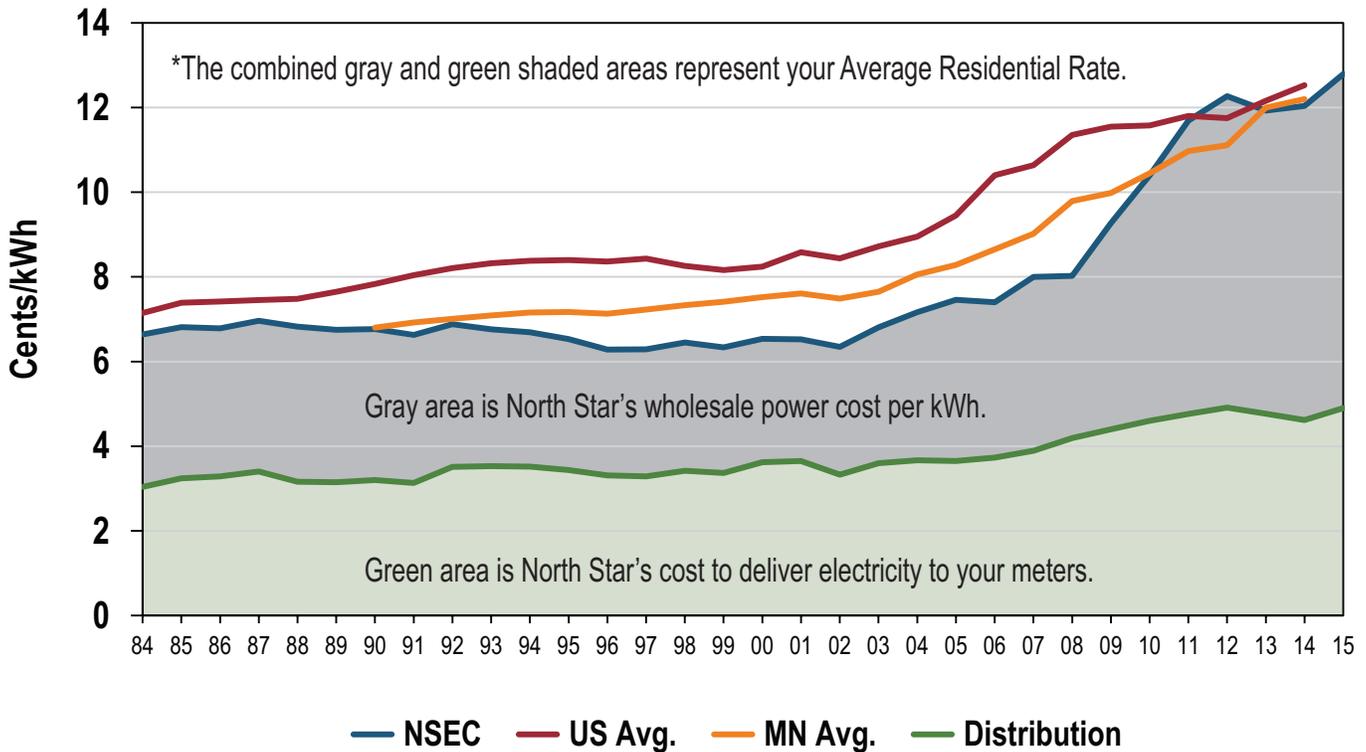
According to Nobel Laureate economics professor Lawrence R. Klein of the University of Pennsylvania all types of utilities (investor-owned utilities (IOUs), municipal-owned utilities and electric cooperatives enjoy some form of subsidy. **You may be surprised to learn that electric cooperatives receive the least amount of subsidy per customer.**

RECs receive the least federal assistance per consumer



All electric utilities receive federal subsidies in one form or another. Calculations based on federal government financial reports show that rural electric cooperatives receive the least federal amount of subsidy per consumer. This is in spite of the fact that rural electric cooperatives serve only eight consumers per mile of line compared to 34 for investor-owned (such as Minnesota Power) and 48 for city-owned utilities.

AVERAGE RESIDENTIAL ELECTRIC RATES



2014 Average Residential Electric Rates (cents per kilowatt-hour)

**North Star
Electric Rate**
12.04¢

West North Central	11.24	East North Central	12.52	New England	17.70	Middle Atlantic	16.44
Iowa	11.48	Illinois	11.42	Connecticut	19.59	New Jersey	15.82
Kansas	12.20	Indiana	11.27	Maine	15.28	New York	20.13
Minnesota	12.20	Michigan	14.55	Massachusetts	17.14	Pennsylvania	13.38
Missouri	10.71	Ohio	12.39	New Hampshire	17.45		
Nebraska	10.56	Wisconsin	13.94	Rhode Island	17.62	South Atlantic	11.80
North Dakota	9.39			Vermont	17.58	Delaware	13.40
South Dakota	10.57					District of Columbia	12.84
						Florida	11.98
Mountain	11.77					Georgia	11.68
Arizona	12.06					Maryland	13.63
Colorado	12.25					North Carolina	11.19
Idaho	9.76					South Carolina	12.32
Montana	10.32					Virginia	11.21
Nevada	12.87					West Virginia	9.36
New Mexico	12.39						
Utah	10.79					East South Central	10.78
Wyoming	10.53					Alabama	11.57
						Kentucky	10.08
Pacific Contiguous	13.67			West South Central	11.08	Mississippi	11.37
California	16.22			Arkansas	9.53	Tennessee	10.35
Oregon	10.49	Pacific Noncontiguous	29.57	Louisiana	9.52		
Washington	8.77	Alaska	19.41	Oklahoma	10.06		
		Hawaii	37.59	Texas	11.79		

Source: Energy Information Administration

NORTH STAR ELECTRIC COOPERATIVE

AGENDA

2015 Annual Meeting

Littlefork/Big Falls School • Littlefork, Minnesota • Oct. 2, 2015

- 5-6 p.m. Dinner and Registration
 - 5 p.m. Entertainment Sloughgrass Band
 - 5:30 p.m. Free child care until meeting adjournment
 - 6 p.m. Presentation of Colors and National Anthem
- | | |
|---|--|
| Welcome | General Manager Ann Ellis |
| Call to Order | President Steve Arnesen |
| Invocation | President Steve Arnesen |
| Welcome Guests | President Steve Arnesen |
| Notice of 2015 Meeting | Secretary Mike Hanson |
| Minutes of 2014 Meeting | Secretary Mike Hanson |
| Treasurer's Report of Audit | Treasurer Mike Hanson |
| Introduction of Board Candidate(s) | |
| Election of Director | District 7 |
| Financial Report | Finance Manager Robyn Sonstegard |
| Guest Speaker | Mac McLennan, President & CEO,
Minnkota Power Cooperative |
| Manager's Report | General Manager Ann Ellis |
| President's Report | President Steve Arnesen |
| Old and New Business | Members |
| Drawing for Balance of Prizes and Grand Prize | |
| Adjournment | |



Sloughgrass
Band,
Birchdale,
Minn.

*Thank you for attending
your annual meeting!*

