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# MREA REPORT

*Providing service and leadership for electric cooperatives*

## Chaos Theory

Clean Line Energy Partners is a Houston-based company whose “only” mission is to develop transmission for renewables. The company is pressing to build Hummer-size transmission lines – 700 KV – to largely move wind from Texas and Oklahoma East. They are seeking utility status which would give them the rights of eminent domain. Condemnation is as popular as [Kim Kardashian](#) in the Humphrey household and the 2005 Supreme Court “Kelo v. City of New London” case affirming the rights of munis to take over private property which caused state(s) legislators to take a hard look at the rights of eminent domain. That look includes a grant to utilities to obtain right-of-way for electric lines. The alternative: Clean Line Energy may pay landowners an annual fee similar to the landed who host wind turbines. Now that’s the ticket.

Nationally co-ops have well over two million miles of line which at 17 poles per mile equals several national forests. Most of those poles are coated with a preservative that some California elitist environmental group contends, drains into the ground, exciting the Clean Water Act. This raises the prospect of annual payments for infrastructure while those sentinels are also categorized as a hazardous waste.

This is lunacy. This also brings to mind the “chaos theory,” a field of study in mathematics which most assuredly was not an academic triumph for me. Also known as the butterfly effect, this theory says small differences create widely divergent outcomes, such as a Monarch butterfly passing through Iowa caused Hurricane Katrina.

Chaos long ago skipped by certainty on the planning highway. The Wells-Fargo Chief Economist [Dr. Michael Swanson](#) told the annual meeting of the Agri-Growth Council that “Everything is connected. We just can’t see how.” Let’s try anyway:

My able Grand Canyon counterpart [Tom Jones](#) told the Rural Electric Statewide Manager’s Association (RESMA) that Arizona is again thinking about customer choice. Well-heeled interests are backing this effort. Deregulation, sometimes called “retail wheeling,” was an issue that consumed MREA’s attention a decade ago. If Arizona presages a retail choice renaissance, then smart meters will be absolutely necessary to record the different energy providers. Except, those educated meters are now being picketed by 43 California cities which have spread to conservative locales like Nebraska

for allegedly creating cancerous EMF, higher electric bills and utilities snooping on consumer usage like so much spyware.



To that is the continued discrediting of coal-based resources. California Governor [Jerry Brown](#) said that state’s 33% renewable portfolio standard (RPS) is “just the first step.” That may be: Kansas is looking to quickly add 2200 MW of wind to include a decommissioning fund when turbines turn bad. Even states with enormous renewable resources like Oregon and Washington have seen renewable mandates that do not, naturally, include hydro which accounts for upwards to 90% of their generation. The other baseload alternative is the wholesale conversion of generation to Natgas which may also see more homes going sweet on the blue flame instead of heat pumps. Fuel switching may not have that great of an impact given 28 states now have various levels of conservation mandates, including

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## Continued from cover... Chaos Theory

Minnesota's can-you-believe annual reduction of 1.5 percent annually. Still, no state, save Alaska, has proposed legislation to form an "energy efficiency utility" funded through an imposition of a three percent surcharge on utilities. Then there was the decision by IKEA to end the sale of incandescent bulbs prompting six hundred and twenty-six million people to become, in the words of the New Yorker, "environmentalists."

One certainty, and not maybe, is the upward pressure on co-op boards. The Sierra Club, buoyed by a \$50 million bounty to take down coal-based resources is now running candidates for co-op boards in Michigan and Georgia. If your Board thought paying a signing bonus up to \$130,000 in retirement benefits upon joining the board once employed by the Georgia-based Cobb Electric looks attractive, keep in mind the best Board money could buy isn't. Neither, perhaps, is the effort by four Montana co-ops to manage their power supply by forming Southern Montana and spending \$80 million on a 40 MW Natgas power plant. Southern is now in bankruptcy and the four co-ops could be sold to satisfy creditors. The last co-op to be purchased by an IOU was Shoshone Electric (Wyoming) in 1985, although Minnesota came perilously close to fumbling away Northern Electric to MN Power in 1994.

## North Dakota sues Minnesota

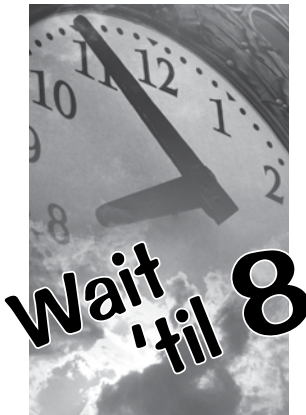
At the August 2010 Energy Issues Summit, North Dakota Attorney General Wayne Stenehjem said the Peace Garden State was going to file a lawsuit challenging the constitutionality of the Next Generation Energy Act (NGEA) of 2007 which banned any new coal-based generation KWs being sold into Minnesota except for an exemption here and there which were never built. Among the provisions, Stenehjem took aim at were the NGEA efforts to reduce global warming, and he said they "are at best symbolic." Additionally, the requirement that new coal-based generation include corresponding carbon emission "offsets" carries the requirement that only includes efforts that wouldn't "otherwise be done." That was one reason cited in the 43 page suit filed in November which named the MN AG and the Public Utilities Commission as defendants. Other points said it adversely affects North Dakota utilities, like Minnkota and Basin, from planning to use coal as a generation option. The N.D. lawsuit added that the U.S. Constitution is "supreme" over conflicting state laws. The "Supremacy" clause overturns the ban because it regulates interstate transmission lines which are the province of Federal Electric Regulatory Agency (FERC), not the state of Minnesota. The other compelling argument the lawsuit notes is the U.S. Constitution Commerce Clause prohibits state laws that "discriminate against or unduly burdens interstate commerce." The NGEA would prohibit importation of new coal-based generation into Minnesota. The exemptions granted in the 2007 law favors in-state generation and penalizes, according to the N.D. Attorney General, out-of-state generation.

The Star-Tribune in a rebuttal said the NGEA applies "equally to producers no matter where they're located – whether it's in Minnesota, Wisconsin, Iowa or North Dakota. Laws that typically run into interstate commerce problems expressly discriminate against out-of-state interests. Yet Minnesota's law is even-handed. Add to that, the longstanding presumption by courts that state statutes are constitutional, and North Dakota's discrimination claim faces long odds."



## Energy Drop

The Brattle Group, a consulting firm (that addressed this year's Energy Issues Summit) interviewed the wise men and women of energy who said energy efficiency will reduce the U.S. consumption by 5-15% within 10 years. Surprisingly, Natgas consumption is expected to see similar reductions too. Higher rates are one reason, another is a variation of the "wait 'til eight" program that, for real, will set "peak pricing." The trouble with predictions is they are generally wrong as was true with peak oil, the onset of an ice age and predictions that the Gopher football squad would soon be in the Rose Bowl. To that, is an 1865 book entitled appropriately enough the "Coal Question," which observed; the more we conserve, the more we use. Also known as the Jevon's Paradox (after the Coal Question's author) which observed that in 1970 the "average" American household consumed the equivalent of 70 million BTUs. Forty years later after tremendous strides in energy efficiency the average American family uses, well, it uses about the same amount of energy due to larger homes, refrigerators and the addition of some twenty new appliances not then found in (Ozzie and) Harriet's house. Of course, this doesn't shed light on the fact that while electric growth has flat lined, Minnesota and other states require adding renewable-based generation.



## Regulation v Reliability

The Brattle Group, yeah those guys, speculated that the host of EPA regulations could sideline some 80,000 MW of generation. Since there is about 1 million MW of production, eight percent may not be a daunting total. Then again, various parts of the U.S., notably the Southeast, set daily peaks given last summer's record days of 100 degree days could ill-afford shutting down anything that generated a KW. Apparently EPA was similarly concerned until it wasn't. In an article published by the *Wall Street Journal*, a 934 page "draft" showed EPA concerned that ensuing regulations could compromise the nation's electric reliability. The final regulation omitted that rather salient concern and called those who raised the issue of excess regulation compromising reliability as industry shills. Administrator [Lisa Jackson](#) even said actions by the U.S. House of Representatives telling EPA they couldn't categorize fly ash as a hazardous waste "gutted the heart of the Clean Air Act." Fly ash? Just wait until Ms. Jackson releases the delayed regulation of carbon emissions. Oh my.

## Randy Owen

When [Randy Owen](#) presided over Great River Energy's Member-Manager Group he had his colleague applaud each presentation. That



graciousness said a great deal about the long-time manager of McLeod Co-op Power Association. His passing from cancer at 66 was a terrible tragedy for his lovely wife Faye and their children and all of his friends and admirers within our familial network.

## Carl Potter

Recently [Carl Potter](#), he of the Great River Energy Board, the Dakota Electric Board and for nearly 20 years a board member and then Chair of the MREA Board,



announced his retirement from a long and storied career minding the various affairs of electric cooperatives. As a long-time executive of International Multifoods Carl brought a strong business sense along with the occasional fly-by-the seat sense personified by – and this is true – his piloting of an airplane with minimal lessons. My affection for Carl and his way-cool wife Joy was borne from long car rides here and there where we both addressed co-op doings and for the fact he was on the MREA Board that hired me. The enduring strength of our program is comprised of the ladies and gentlemen whose passion is for the "members." Few were as fervent about our business as Carl.

## No Substitute for Subsidies

The *New York Times* whose editorial policy regularly calls for more investment in renewables and green jobs nonetheless featured an article taking aim at an Old Country Buffet of subsidies for renewables. The Times noted that in the last three years federal subsidies jumped from \$5.1 billion to \$14.7 billion. To that outlay (production tax credit, 1603 program which rebates, in cash, 30 percent of the projects cost and accelerated depreciation) are tax breaks offered by states. Minnesota, for example adds 1.5 cents per KWH of wind produced and mandates (30 states do-so) which provide certainty for any power purchase agreement and switches the economics from supply and demand to demanding the

supply. Depending on the project, the Times estimated that subsidies account for 46 to 80 percent of the project's cost. Gas and oil, long said to be the corporate welfare whelp; received tax breaks totaling \$2.7 billion to include GE, a major turbine manufacturer which paid little or no federal income tax last year even though it generated some \$5.1 billion in profits from its U.S. operations.

That's not the end of it. In 2007 then Rep. David Bly introduced legislation mandating "feed-in tariffs," which would require utilities to pay a premium pricing for renewable sources to include 92 cents for "small" solar. The *Great*

*Plains Institute* (GPI) which recently took a boatload of Minnesota officials along w/ Great River Energy Government Relations Director Bob Ambrose to Germany to learn more about that countries even more generous subsidies. GPI Executive Director Rolf Nordstrom made this excited declaration about Germany's renewable mandates: "In other words, even though Germans are paying roughly 3 times more per unit of electricity than we do here, more than 80 percent of those polled feel it's "important" or "very important" that the country continue to aggressively pursue a clean energy path." Triple Minnesota rates. Are you kidding me? Apparently not.

## Nicely Done NRECA

The RICE rule stands for "reciprocating internal combustion engines." Those are the 10-12,000 standby generators that are used to take major electric loads "off-grid" to reduce electric peaks. Those peaks are what drive the construction of generating plants which is why co-ops, particularly Dakota Electric, use standby generators. Mostly they stand idle and operate from 40-80 hours annually. EPA however maintains these units, which have a "potential to emit" or run 8,760 hours a year will do exactly that. How stupid is this? Quite: particularly since businesses that purchase standby generators (and see major energy savings when they

do so) will have to spend upwards to \$50,000 to retrofit their peak-shaving generator to reduce air emissions including carbon.

NRECA raised the roof on this regulation and got EPA to reconsider the reasonableness of that regulation. Our guys – and theirs – plan to meet sometime this month to sort this out.

Besides a RICE resolution NRECA did a fine job advancing legislation in the House a measure prohibiting EPA from categorizing fly ash as a hazardous waste. Beyond hemming, somewhat, EPA, NRECA also advanced funding for the USDA to include funding current levels for the RUS loan program at \$6.5

billion. That amount also includes funding for "carbon capture and sequestration."

That inclusion chips away at Nancy Pelosi and fellow Californian Henry Waxman's efforts to deny RUS loans for the use of coal, nuclear or Natgas for baseload generation. That was quite an accomplishment including the support MREA received from Cong. Kline, Cravaack, Walz and Peterson who supported that measure (McCollum, Paulsen, Ellison opposed that funding and Bachmann, again, was absent).



## Continued Stream of Consciousness

The on-line periodical, *Slate.com* recently featured an article entitled: "Don't Count Oil Out." The publication observed that the last decade saw global carbon dioxide emissions have grown by 28.5 percent to some 33 billion tons. James Fallows, reported in the December, 2010 *The Atlantic* that: "all human activity together puts roughly 37 billion tons of CO<sub>2</sub> into the atmosphere each year. Twenty years ago Fallows said it was less than 25 billion tons. Twenty years hence it "could well be 50 billion tons."

That annual amount of carbon exhalation represents about 2 parts per million (ppm) which is an indication of greenhouse gas concentration. The current level of carbon concentration is 390 ppm. James Hanson, the NASA guy who testified during the very hot 90s on climate change and memorably said that utility executives should be tried for "high crimes" against the environment (that would be

generators, not statewide personnel) said the "tipping point," or the point of no return is 375 ppm. Within 5 years the global production will pass 400 ppm.

The spiraling amount of carbon emissions means almost annually some sort of retreat to Rio de Janeiro, Cancun, Bali and Copenhagen to engage in climate lamentations. There, and elsewhere, a renewed call and commitment for more renewables is launched with well-meaning state legislators calling for more and more wind turbines to be built including Congressional efforts to mandate a national 20% mandate by 2030. Besides enriching General Electric (\$5.1 billion in profits – \$0 taxes paid), there are no appreciable climate change impacts. Think not?

Author Robert Bryce, an MREA annual meeting speaker (via Skype) wrote an article in October saying that if the U.S. was able to meet that 20% RPS (renewable portfolio standard) goal the tab to-do-so

would be \$850 billion (without the cost of transmission included) and would reduce -- get ready for this -- global emission by 2%. The acreage needed to accommodate all those turbines would be a bit larger than the state of North Dakota. The cost to consumers would bump electric bills some 50%, and likely more.

In 1996 some 192 countries (but not the U.S.) signed the Kyoto Treaty promising to reduce carbon emissions by 5% less than what was coughed up in 1990 by 2012. However, only 36 countries actually are doing so (and good luck to you Canada) leaving 156 or so free to...well, let's turn to author P.J. O'Rourke who memorably said: "Climate change: There's not a thing you can do about it. Maybe climate change is a threat, and maybe climate change has been tarted up by climatologists trolling for research grant cash. It doesn't matter. There are 1.3 billion people in China, and they all want a Buick."

## Agri-growth Annual Meeting

The Agri-Growth Council is an advocacy association of some 200 members (including MREA) for agriculture. Their 75th anniversary was held at the Minneapolis convention center and featured a variety of speakers including Dr. Jason Henderson, Director of the Federal Reserve Bank of Kansas City. Henderson observed that agriculture's "Golden Eras" emerged during low interest rate environments. The benefits include escalated farm income and land value, but

the cost contributes to higher food prices and the continued food v. fuel debate. That issue will prompt Congress to again examine ethanol subsidies to ascertain the value of continued mandates (now at 36 billion gallons) which have seen five billion bushels of corn converted to ethanol; a major load for many co-ops. Henderson also said ethanol inflates a bushel of corn by two dollars.

Agri-Growth Council also presented the University of Minnesota "Siehl" award which is the equivalent of



the Nobel Prize. Sander "Sandy" Ludeman, director at Lyon-Lincoln received that prestigious award.

## 2012 Washington D.C Legislative visits:

### February visit February 6-8, 2012

The first 2012 MREA Visit to Washington D.C. is scheduled for February 6-8. Mark Glaess will accompany participants on this visit. Each attendee is responsible for making airline and hotel reservations. Please arrive no later than the evening of Monday, February 6. Visits with the Minnesota Delegation and other agencies will be scheduled all day Tuesday and Wednesday morning. Please schedule return flights for Wednesday late afternoon or evening, so you will be available for Wednesday morning Congressional

visits. Registration details have been emailed to CEO's and a packet with an itinerary and details about the issues to be discussed during our Congressional visits will be emailed about one week before the trip. If you plan to attend, please register with MREA online by Friday, January 20.

### NRECA Legislative Conference April 29-May 2, 2012

NRECA CEO Glenn English has announced that during the May Legislative Conference, the focus will be on strengthening the co-op grassroots, particularly through statewide associations. NRECA learned that Congress will not be in

session during the May Legislative Conference slated for April 29-May 2. After discussion with the RESMA group NRECA has decided, with the support of the statewides, to use that time during the conference as a strategic planning event in preparation for the 2013 election.

### September visit September 12-14, 2012

This visit is planned for Wednesday thru Friday with a room block at the Phoenix Park hotel. Please plan to arrive Tuesday evening or early Wednesday morning. Further details will be posted on MREA's website and emailed to CEO's.

## So Cool, You'll wish to be back in School

High School students across Minnesota have the opportunity to win an iPad 2! The winning logo will be displayed by delegates on NRECA's Youth Day where over 1,500 will learn about electric co-ops. Posters are decking high school halls in hopes to build awareness and spread the word of the Minnesota Electric Cooperative Washington D.C. Youth Tour opportunity. Any high school student can enter (even if he/she isn't applying for the Youth Tour). The sole sponsor, Rural Electric Supply Cooperative is covering the full cost of the iPad2 and has been sponsoring the T-shirts for the past 12 years.

Contest Rules: Design a logo using an electronic desk top publishing tool. Create a front & back design for a t-shirt, logo can be one solid color or contain up to three colors. Do not include the year, 300dpi, jpeg. Email design to: [Beth@mrea.org](mailto:Beth@mrea.org) or mail a CD to: MREA, Attn: Beth Haider, 11640 73rd Ave N, Maple Grove, MN 55369. Include full name, school name, address, email address and phone number. For inspiration, visit the NRECA Youth Tour Photo Page: <http://photos.youthtour.org/> to check out pictures of past delegates from both Minnesota and other states. The student's family doesn't need to be an electric cooperative customer. Contest deadline is April 2, 2012.

## Win an iPad 2!



High School Students - Design a T-shirt logo and win an iPad 2!  
Contest deadline: April 2, 2012  
For more information visit:

[http://www.mrea.org/youthandschool/youth\\_tour.php](http://www.mrea.org/youthandschool/youth_tour.php)



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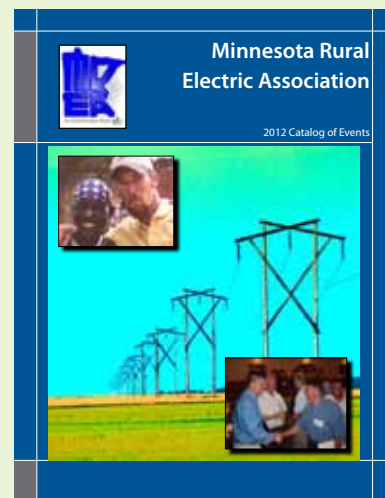
## Guess who's coming to Dinner

The change in political parties equally changes legislative agendas. This is a certainty, one we saw in 2007 when both the state house flipped DFL and senate remained so. Then Governor Pawlenty laid down his renewable and climate marker to approximate what U.S. Senator John McCain earlier did to make him a more suitable VP running mate. That of course went to ½-term Alaska Governor Sarah Palin who also (briefly) memorably expressed concern about climate change. The legislative results saw a 25 percent renewable mandate, ban on new coal generation (unless the utility could conjure offsets that wouldn't otherwise be done which would confuse Harry Potter), reducing energy consumption by 1.5 percent annually and a mandate to reduce carbon emissions by 15 percent by 2015 and 80 percent by 2050. That alone tells you that elections matter. It is up to, then, those who are elected and selected to educate the membership about costs and (dubious) benefits of these efforts. Here's what the MREA Board of Directors recently endorsed:

- Each co-op hosting a dinner for interested consumers to learn about energy issues, their cost, and of course, benefits. Already MREA and GRE have developed a power point and speakers to make our points. Attendees will be invited to join the co-op's grassroots network and Consumer Owners for Political Action or COPA (made particularly famous by the work of Steele Waseca, particularly director Ken Prestegard who enrolled more than 300 of Steele-Waseekers to join).
- MREA has met with one G&T and plans other meetings to develop an Erickson lecture series (so-named for Roseau Electric Board Chair Joel Erickson who suggested it) for agricultural commodity, farm groups, manufacturers, businesses and the like about the cost of current mandates, environmental regulations and the prospects of those cost and, ummm, benefits, of more of the same.
- MREA will be doing the same for our associate members, again in the effort to enlist more adherents to the co-op energy and environment agenda.
- Then there is you Mr. and Mrs. Director. The upward pressure on rates means more questions and inquiries about rate increases. Responding with, "yeah, that's a problem," isn't likely to be particularly well-received. To provide an overview of rate drivers MREA will be holding for a second year its "Advanced Director Academy" or ADA. Three meetings held around the state will cover the complexities of MISO, Overview of EPA regulations and the third ADA will take a look at legislative issues here and in D.C. The afternoon will include attendees responding to questions so that "practice" round presages the response you'll be comfortable dealing with when the questions start to fly.

## Cataloging MREA's Offerings

Watch your mailbox for MREA's original 2012 *Catalog of Events* which includes a full year of registration details for membership meetings, new webinar trainings, REMA conferences, and comprehensive training for all cooperative directors and employees. Online registration is now open earlier for all scheduled events. Don't worry, we'll still keep you informed with mailed paper brochures and email notices but if you'd prefer to no longer receive the email notices or the paper brochures, please email Beth Haider, [beth@mrea.org](mailto:beth@mrea.org). A special registration form will be provided for the Annual meeting, Energy Issues Summit and our fundraising events. Look for a June Catalog of Events which will uncover the remainder of the year.





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