

KEM Country LINES

KEM Electric Cooperative, Linton, N.D.

APRIL 2011

Manager's report...by John Knox, CEO/General Manager

KEM Electric remains strong

In the cooperative world, KEM Electric Cooperative is considered a small electric cooperative. However, on the flip side, KEM is considered a strong cooperative in the region and even nationally when looking at its financials and its operations.

Why is KEM so strong? It starts with the board of directors that you have elected. Each of your current directors has invested a lot of time and energy into understanding the special requirements of providing policy and direction to operate your electric cooperative.

Regionally and nationally, the requirements they need to know change drastically during the year. Your current directors are either a certified credentialed director, or a board leadership certified director. If they have not obtained the classification, they are in the process of obtaining certifications. These directors have invested a lot of time reading materials or attending many meetings on the operation of an electric cooperative.

As your general manager, having directors such as our current board makes my job easier. Why? Because they understand the complex issues cooperatives are now facing, such as environmental and other regulatory issues on which KEM Electric and Basin Electric Power Cooperative must concentrate their efforts on issues that have a profound impact on the current and future rates that will affect KEM Electric members.

In March, I attended the National Rural Electric Cooperative Association (NRECA) annual meeting. I was asked to participate in a roundtable discus-

sion with 11 other general managers/ chief executive officers from across the country.

The panel included two of the largest cooperatives in the nation, along with others of various sizes, with KEM being represented as the smallest. What I found is no matter what size you are, we all are facing the same issues.

The number one issue and concern is the future of power costs. In addition, what drives this is the influence the Environmental Protection Agency (EPA) will have in its regulation of our power plants now and in the future. After participating in this discussion and listening to the other cooperatives, it appears our future will come down to several issues.

First, keeping KEM Electric a strong electric cooperative, now and into the future, will be important. Your current board of directors has and will continue to make this a top priority.

Second, we must involve the membership to assist us and other cooperatives to maintain our level of service. We want the ability to bring you the most economical form of energy, while not being overburdened by regulatory issues imposed by the EPA.

Third, we should look at ways for KEM to be more efficient, while also passing that knowledge onto the membership. We can accomplish this by looking at what technology can offer, or just applying a little common sense to the task.

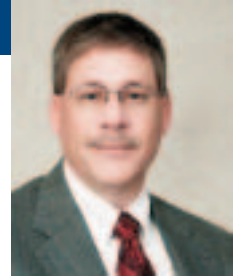
The other part of the equation is our employees. KEM Electric has a dedicated staff of operations and office ser-

vices professionals who are dedicated to bringing you reliable and cost-controlled electricity. You and I know they are a dedicated group of employees – just remember back a year ago to the ice storm.

The future is a little foggy, but if we take our time and continue in the direction we have set, we will get down the road safely. There might be some times where we will need to be cautious, or adapt to changing condition so that we do not get into trouble. I have faith in our current board of directors with their leadership and the dedicated staff we have here at KEM Electric. We will emerge as the strong cooperative we are now, or even stronger in the future.

As you get ready to head into the fields, be safe around your machinery and especially around the electric poles. Take your time and pay attention so you don't come into contact with the power lines.

As spring begins to arrive, remember to enjoy those you love and take time to smell the flowers.



*John J. Knox
CEO/General Manager*

INSIDE

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- KEM Electric awards scholarships
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Attend YOUR annual meeting!



KEM Electric Cooperative 2011 ANNUAL MEETING June 16, 2011 Napoleon High School

We'll see you at the annual meeting!

Let's face it. We are all busy. With work, family, church, volunteer activities and a never-ending list of errands, the thought of attending one more meeting may be daunting. It may be difficult to give your electric cooperative a little time, but your voice is important!

Attend your cooperative's annual meeting and get involved! During the meeting, you'll elect directors, listen to highlights from the past year and have a chance to visit with employees and directors.

Cooperatives are owned and controlled by you, the members. As an owner, each person has a voice and a vote in the co-op's activities. You elect the board of directors. As an owner, you can attend meetings, cast a vote or just ask a question.

The cooperative way of doing business is a true example of grass-roots democracy in action. The power of the people is exemplified in the seven principles that guide all cooperatives. One of those principles is "democratic member control" which states:

"Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote)."

Even though your schedule is busy, be an active co-op member!

How to get on the ballot

Do you want to run for a seat on the board of directors? It is quite simple. You need to pick up a petition at the KEM Electric headquarters in Linton and secure 25 or more signatures of members from within your district. You can start circulating the petition 90 days before the petition filing date, and all petitions must be filed at the cooperative office not less than 45 days prior to the date of the meeting of the members.

For 2011, you can pick up a petition now, and you must have it filed by May 3, 2011. Nominations can also be made from the floor during the annual meeting.

According to the bylaws, a director may be any member of KEM Electric Cooperative, who is a natural person in good standing and who receives electricity at his or her primary residence, and is at least 18 years of age. No person shall be eligible to become or remain a director of the cooperative who is in any way employed by or financially interested in a competing enterprise, or a business selling electric energy or supplies to the cooperative or a business primarily engaged in selling electrical appliances, fixtures or supplies to among others, the members of the cooperative.



District 1
Adolph Feyereisen



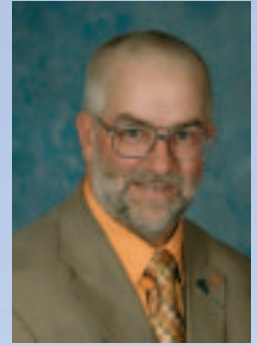
District 2
Carter Vander Wal



District 3
Milton Brandner



District 4
Victor Wald



District 5
Dean Dewald



At-large director
Dean Hummel



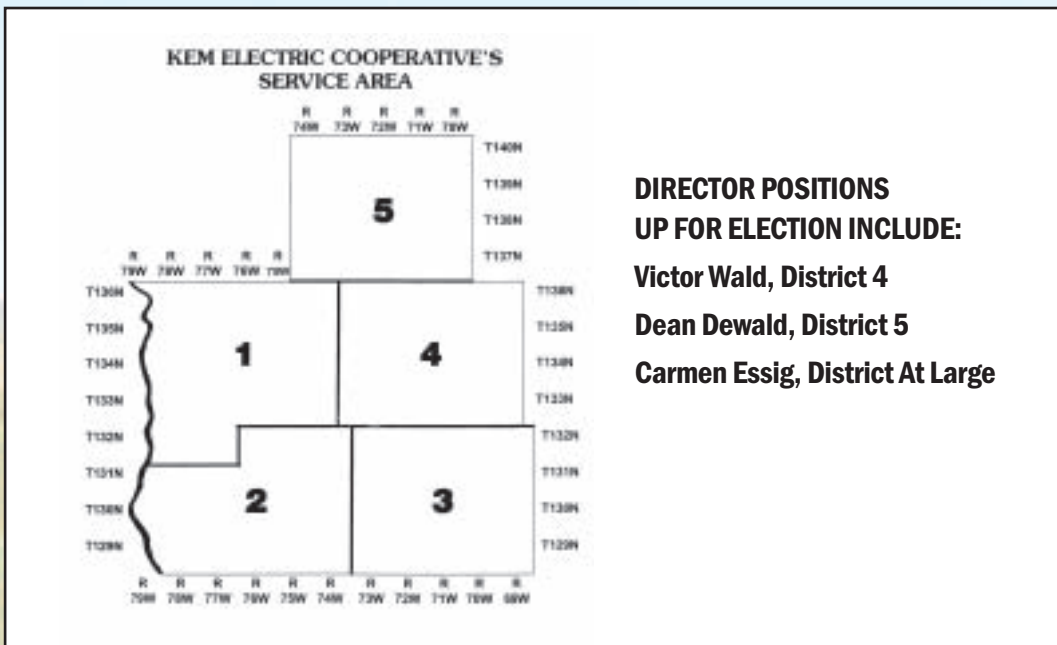
At-large director
Carmen Essig

Director elections scheduled

KEM Electric Cooperative is overseen by a seven-member board of directors which is elected by you – the members and owners of the electric cooperative. During the annual meeting each year, KEM Electric Cooperative members elect fellow members to represent them on the board of directors.

The cooperative is divided into five districts with one director representing each district and two at-large board seats. The current board of directors includes: District 1, Adolph Feyereisen; District 2, Carter Vander Wal; District 3, Milton Brandner; District 4, Victor Wald; District 5, Dean Dewald; at-large directors, Dean Hummel and Carmen Essig.

KEM Electric Cooperative's 2011 annual meeting will be held June 16 at Napoleon. This year, the director seats up for election are those of Victor Wald in District 4, Dean Dewald in District 5 and Carmen Essig in the District At Large.





Bender

Elisabeth Bender wins trip to Washington, D.C.

A high school student's vision for the future has earned her a trip to Washington, D.C. KEM Electric Cooperative has selected Elisabeth Bender, a sophomore at Zeeland High School, as the winner of the cooperative's Youth Tour essay contest and a trip to Washington, D.C. She is the daughter of Donavon and Lorie Bender, Ventura.

Elisabeth will represent KEM Electric Cooperative during the all-expense-paid Youth Tour to Washington, D.C., in June. During the Youth Tour, students sponsored by electric cooperatives from across the country converge on the nation's capital. They visit national monuments and historic sites, tour federal offices, and spend time with their congressional delegations. During the Youth Tour, students also learn about electric cooperatives and discuss issues facing their communities and the nation.

Elisabeth's father, Donavon, raises beef cattle and small grains and works part time as a substitute rural mail carrier and a substitute teacher. Her mother, Lorie, is the business education teacher at Zeeland High School.

Elisabeth's hobbies include spending time with friends and on Facebook, reading, watching movies, listening to music, and playing the piano and bass clarinet.

THE WINNING ESSAY

To earn a trip to Washington, D.C., Elisabeth wrote an essay on the topic: ***"Electric cooperatives are member-owned and controlled. As a member-owner and future decision maker for your cooperative, describe ways in which new technologies and social media can be used to connect and communicate with you and other young adults."***



Electric cooperatives are member-owned and controlled. Future decision makers for the cooperative will be our young adults. New technologies and social media will be vital to connect and communicate with these young adults. In this paper, I will present several forms of electronic media that could be used to accomplish this task.

Businesses advertise to let people know of their existence and purpose, as well as to promote their products. The electric cooperatives in our state do an excellent job of promoting themselves with television commercials about Touchstone Energy®. However, the future of communication is emerging in the form of newer technologies and social media applications.

Most businesses today have an Internet presence in the form of a company Web site. KEM Electric's Web site can be used to reach the young adult customer. The Web site already contains a flood of information in a textual format. In addition to text, safety, education and other promotional items could be available in video format. Video recorded portions of the annual meeting could be shown on the KEM Web site for those who could not attend.

Young people now read local and national newspapers on the Internet rather than skimming through a hard copy of the paper. KEM Electric articles published in North Dakota LIVING magazine and on the Web site could also be sent by e-mail to customers in the form of an electronic newsletter. Having a customer login and password portal would provide individual customers with account information.

KEM Electric could also use the Internet to communicate via a Web log (blog). Blogs are easily accessed and widely read on the Internet. A humorous, tongue-in-cheek writer could inform and entertain with interesting stories and facts that would attract people to the Web site. The blog would allow an article or two a month to reach not only KEM Electric customers, but the general public as well. A customer who enjoys the blog may visit

the cooperative's Web site more often, enabling KEM Electric to have more of a presence in their lives, hopefully resulting in good customer feelings.

Facebook is a very popular technology application used by young adults. KEM Electric could take advantage of this popularity by having a Facebook page on the Internet where members could interact on issues such as energy-saving appliance, safety, etc. Important announcements could be communicated to customers via Facebook. Some examples include promoting Operation Round Up, rebates, off-peak energy programs, posting videos of meetings, and safety presentations about power lines and grain bins.

Twitter is another popular social media application for young adults. Twitter allows a person or company to post updates (tweets) that go directly to the follower's Twitter home page. Twitter connects people so that they can find things out as soon as someone can tweet an update message. A Twitter account could be used to tweet announcements related to power outages, downed poles, updates on meetings, links to items on the Web site or Facebook page and daily tips for energy savings.

Cell phones allow people to stay connected and communicate easily. Sending text messages is becoming as popular among adults as it is among teens. Cell phones are used by large companies to send bulk text messages to a mailing list for announcements and promotions. With a mailing list of members' cell numbers, instant updates about planned or accidental outages could easily be sent.

Future technology is going to make life very exciting for today's young adults and the businesses that serve them. There will be many changes in the ways we communicate with one another and in the ways we conduct business. Those who embrace these changes will have an upper hand.



Hulm

SUPPORTING OUR YOUTH

KEM Electric Cooperative awards scholarships

KEM Electric Cooperative strongly believes in the future of area students. To help students prepare for their future journeys, KEM Electric Cooperative, along with Basin Electric Power Cooperative, has awarded two college scholarships for

the 2011-2012 school year – one in the amount of \$1,000 and one for \$500 – to qualifying dependents of a KEM Electric member.

Lindsey Jo Hulm, Linton, is the recipient of the \$1,000 scholarship, and Amber Piatz, Napoleon, is the \$500 scholarship award recipient.

Lindsey Jo Hulm

The \$1,000 scholarship winner is Lindsey Jo Hulm, a senior at Linton High School. She is the daughter of Al and Pam Hulm, Linton.

Next fall, Lindsey plans to attend North Dakota State University (NDSU) to pursue pre-optometry studies. After four years, she plans to transfer to a professional school.

Lindsey's mother, Pam, works at the Linton Hospital in the medical records department, while her father, Al, works for the Emmons County road crew. She has one older sister, Whitney, who attends NDSU and is majoring in elementary education and human development family science.

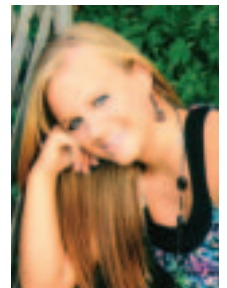
Lindsey enjoys staying active by running and participating

in volleyball and basketball. "My favorite season is summer, when I enjoy going to the river, hanging out with friends and traveling," she says.

"I'm a very ambitious individual and go after my dreams," she comments.

"Someday, I hope to make a difference in the world by my actions!"

KEM Electric Cooperative congratulates Lindsey on this award!



Piatz

Amber Piatz

The \$500 scholarship winner is Amber Piatz, a senior at Napoleon Public School. She is the daughter of Randy and Coleen Piatz. Amber plans to attend North Dakota State University in the fall to pursue a degree in nursing.

She is the youngest of four children. She has two brothers, Justin and Ryan, and a sister, Krista Gross. Amber's father, Randy, is a full-time farmer and rancher and her mother, Coleen, is an office manager for Green Iron Equipment in Napoleon.

Amber enjoys rollerblading, cross-stitching and golfing. She competes in numerous FFA events and participates in volleyball and golf. She also works part time as a certified nurse's aid at the Napoleon Care Center.

KEM Electric Cooperative congratulates Amber on winning this scholarship!

NDSU offers information on coping with flooding

Awet fall and heavy snowfall across most of North Dakota this winter have increased the likelihood of flooding this spring.

The North Dakota State University (NDSU) Extension Service has information online at www.ag.ndsu.edu/flood to help you prepare your farm, ranch or home for a flood and deal with the aftermath of flooding.

"This flood information Web page provides up-to-date, research-based information for homeowners, farmers, ranchers and anyone else who wants help in protecting themselves, their families and their property," says Ken Hellevang, NDSU Extension Service agricultural engineer and flood expert.

The site has information on general topics such as sandbagging; standby generators; sump pumps; plugging drains; evacuation preparation; coping with stress, including helping kids deal with disasters; finances during disasters; restoring flood-damaged property; food safety; and agricultural preparation and recovery topics such as protecting stored pesticides, grain and feed; protecting livestock during a flood; agricultural building issues; and late planting of crops.

The site also has links to information from other universities and organizations, such as the Extension Disaster Education Network, eXtension (national university-based site), National Weather Service, American Red Cross and Federal Emergency Management Agency.



You can follow major updates to the Web site via Twitter at <http://twitter.com/floodinfo>.



Yes, your co-op pays taxes, too!

Does KEM Electric Cooperative pay taxes? Yes! Just like our hardworking members, your local electric cooperative pays taxes each year.

Five area counties served by KEM Electric Cooperative will be the beneficiaries of taxes paid by the cooperative.

The cooperative paid \$79,515.74 in taxes to the state of North Dakota this year. The tax money comes from the electric distribution tax, which taxes the energy the cooperative sells. Besides the electric distribution tax, cooperatives pay real estate taxes on the unimproved value of the land they own for offices and facilities. The co-op also pays an electric transmission tax.

Although your cooperative sends one tax check to the state of North Dakota, the money from the tax revenue flows back to the counties the cooperative serves, based on the number of miles of power line in each county. The cooperative has 2,988 miles of power line in the five-county area.

Since Emmons County has the most miles of power line among the five counties, it receives the largest share – \$30,610.53 – from the cooperative.

Other counties receiving tax money from the cooperative are:

- Burleigh County \$102.31
- Kidder County \$20,338.35
- Logan County \$12,023.13
- McIntosh County \$16,441.42

The electric distribution tax is a new way of calculating taxes for your electric cooperative. Previously, taxes were paid on 2 percent of the cooperative's gross revenue. The North Dakota Legislature changed the law regarding taxes for electric

cooperatives from being based on revenue to being based on energy sales. This action resulted in the cooperative and its members seeing a \$46,000 reduction in its tax liability from the previous year.

Taxing energy sales is more fair than taxing revenue, as increasing costs of power would have resulted in higher revenues, with a corresponding increase in taxes.

Your electric cooperative, along with the cooperative's state association, the North Dakota Association of Rural Electric Cooperatives (NDAREC), was instrumental in enacting the tax change to benefit the membership.

So, be assured that KEM Electric Cooperative does pay taxes. It's all part of being a Touchstone Energy® Cooperative. KEM Electric Cooperative is here to serve you with the Touchstone Energy core values: integrity, accountability, innovation and commitment to community.

CO-OP FACTS:

North Dakota's electric cooperatives, including KEM Electric Cooperative, contribute to the state's economy in other ways, too. The facts are:

- Sixteen distribution cooperatives serve 250,000

North Dakotans through 147,000 meters.

- KEM Electric Cooperative serves 2,118 members in Kidder, Logan, Emmons, McIntosh and Burleigh counties, with 2,988 miles of line.

- The state's electric cooperatives sell nearly 50 percent of all retail electricity in North Dakota.

- They employ more than 2,700 people. KEM Electric Cooperative employs 16 people.

- All operate as nonprofit, member-owned enterprises.

- The state's electric cooperatives have invested nearly \$1 billion in distribution facilities and more than \$5 billion in North Dakota's energy industry.

KEM Electric offers BUDGET BILLING

For your budgeting convenience, KEM Electric Cooperative is pleased to offer a budget payment option for members with residential/general services. Much like North Dakota's weather, your electric bills may fluctuate from one month to the next.

KEM Electric's budget billing is determined by averaging the previous 12-month history. It's a rolling average and typically only

varies by a few dollars from month to month. By using a rolling average, we do not have to periodically "settle up" by adjusting your payment amount.

Members who wish to participate in this plan must have their account current (paid in full) and have at least a one-year history with KEM Electric. Members failing to submit payment by the due date will be

dropped from the plan without notification and the account balance will be subject to payment in full. Members who wish to discontinue the plan will be required to notify the cooperative office either with a phone call or by written notice.

For more information on budget billing, please contact the cooperative office at (701) 254-4666 or (800) 472-2673; or e-mail us at billing@kemelectric.com.

If you wish to sign up for budget billing and agree to the above statements, please sign below and return this form to:

KEM Electric Cooperative
P.O. Box 790
Linton, ND 58552



Name: _____

Account number: _____

Address: _____

City: _____ State: _____ ZIP: _____

Phone No. 1 _____ Best time to call: _____

Phone No. 2 _____ Best time to call: _____

Signature: _____ Date: _____

Keep your family in **HOT** water!

Board meeting highlights

From washing dishes to showering, hot water is used daily in most homes. Water heating is the third largest energy expense in your home. It typically accounts for about 12 percent of your utility bill. That's why an efficient electric water heater is so important.

BUY THE BEST

KEM Electric Cooperative will be glad to help you select a Marathon electric water heater that will fit your needs.

THE MARATHON WATER HEATER:

- Features a polybutene tank that is guaranteed not to leak, rust or corrode for as long as you own your home.
 - Is one of the most efficient water heaters on the market.
- And to save even more money, ask about placing your Marathon water heater on KEM Electric Cooperative's load-management program.



CONSERVE HOT WATER

Hot water consumption is the water you use at appliances and faucets. Every gallon of hot water you use is replaced by a gallon of cold water in your water heater that must be heated. If you reduce your hot water consumption, you'll reduce the amount of electricity your water heaters consumes.

Here are some tips for reducing hot water consumption:

- Lower the thermostat on your water heater; water heaters sometimes come from the factory with high temperature settings, but a setting of 120 degrees provides comfortable hot water for most uses.

For each 10-degree reduction in temperature, you can save between 3 percent and 5 percent in energy costs.

- You can significantly reduce

hot water consumption by simply repairing leaks in faucets and showerheads, or pipes. A leak of one drip per second can cost \$1 per month.

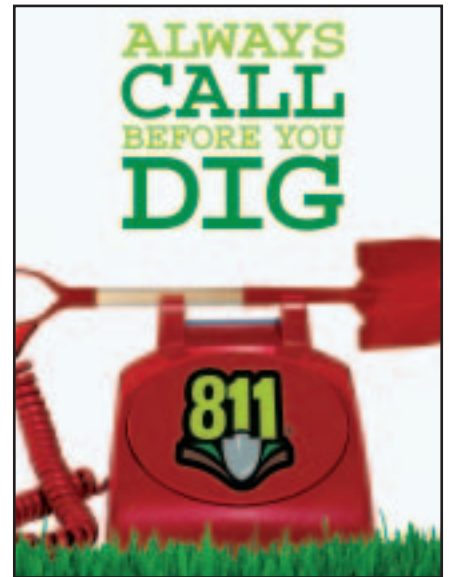
- You can reduce your hot water consumption by installing low-flow showerheads, for a savings of 5 to 10 gallons per shower.
- If you are in the market for a new dishwasher or clothes washer, consider buying an efficient, water-saving Energy Star model to reduce hot water use.
- Operate your clothes washer and dishwasher only when they are full. You can save up to 1,000 gallons a month. You'll also use less hot water by using the cold-water cycle on your washing machine. Modern soaps do a great job of cleaning clothes without hot water, and you'll save up to 10 gallons of hot water per cycle.
- Take more showers than baths. Bathing uses the most hot water in the average household.

TO LEARN MORE:

To learn more about saving energy, and money, visit www.togetherwesave.com.

KEM Electric Cooperative Inc. Feb. 24, 2011

- Reviewed report from the Voucher Review Committee
- Approved a capital credit retirement
- Set up strategic planning meeting
- Reviewed and approved the 10-year financial forecast
- Reviewed and approved the Rural Utilities Service loan application
- Approved the special equipment summary



KEM ELECTRIC COOPERATIVE INC.

107 S. Broadway - Linton, N.D. 58552

DIRECTORS:

Dean Dewald, ChairmanSteele
Milton Brandner, Vice Chairman...Zeeland
Carter Vander Wal, Sec.-Treas.Pollock
Carmen Essig, DirectorLehr
Adolph Feyereisen, DirectorBraddock
Dean Hummel, DirectorHague
Victor Wald, Director.....Napoleon
Bair Law Firm, Atty.Mandan
HDR Engineers Inc.,
Consulting Engr.....Bismarck
John Knox, CEO/General Mgr.Linton

Report outages to the following
toll-free number: (800) 472-2673

Hazleton, Linton and Strasburg exchanges'
phone number: (701) 254-4666

OFFICE HOURS:

Monday through Friday,
8 a.m. to 4:30 p.m.

Web site: kemelectric.com

email address:

A Touchstone Energy' Cooperative 