



John J. Knox  
CEO/General Manager

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

## October is Cooperative Month

**I**t is time to celebrate! Co-op Month affects us in many ways. Just take a minute and think

about how many cooperatives are a part of your daily life. I did not realize what a cooperative was or how it affects our communities until I started working for my first electric cooperative, so many years ago. The cooperative form of business was not even a subject in any of my business classes at college.

Today, I'm thankful for the introduction and education of the cooperative way of business. Because of this belief, KEM Electric means so much to me, and hopefully to you.

To celebrate Co-op Month, we will be having hot dogs and chips at our office from 11:30 a.m. to 1:30 p.m. Thursday, Oct. 13. KEM Electric wants to thank you for being a co-op member, so please stop in and say hi.

KEM Electric is concerned with many important topics. You, the member, should be aware of these concerns also. Our Energy Our Future® is a campaign that engages consumers-members in a conversation with elected officials about how we meet legislative goals while keeping electricity reliable and affordable.

We need to stop the Environmental Protection Agency (EPA) and its excessive control and determination to stop the use of the coal. America has more coal reserves than any other nation, with reserves projected to last more than 200 years. More than any other fuel, coal has been responsible for the low cost and solid reliability of our electricity supply here in North Dakota and elsewhere. You can go to these Web sites for more information: [www.bepc.com](http://www.bepc.com) (Basin Electric) and [www.ourenergy.coop](http://www.ourenergy.coop) (the National Rural Electric Cooperative Association).

On Oct. 1, Basin Electric will be implementing a rate increase for all members. This increase is larger than what we expected, but it is also a few months later than we expected. Because of our financial planning and forecasting, it will not affect our cooperative as much as

neighboring cooperatives.

It will affect our rates next year. Due to these changing costs, KEM Electric will need to adjust our rates to reflect these changes we are experiencing. With strong control and a board that makes wise decisions for the membership, we have been able to postpone a rate adjustment for the past year.

I know many members will agonize over the rate adjustment. Trust me, so do I, as well as the staff, and your directors. You must realize this: It is your business, and you should want your business to be operated responsibly. Because we are a cooperative, you can be assured any rate adjustment will only be an amount that will keep us financially stable. As the rate adjustment is finalized, we will be sharing more information with you.

KEM Electric is excited to announce the arrival of e-bill. You will have the ability to pay your electric bill online with e-check or debit/credit cards. With e-bill, you can instantly view information about your current bill, view payment history, electric usage and monthly cost comparisons. For more information of this new service, please read the following article.

As we finish the harvest season, please be safe around the overhead electric lines with your equipment. We have a saying, look UP, look OUT and stay alive. Also with hunting season approaching along with its dangers, please be safe.

### INSIDE THIS MONTH:

- Celebrating Co-op Month
- The POWER of PEOPLE
- Join the Youth Tour!
- E-bill is available!
- And more



KEM Electric Cooperative  
**CELEBRATING CO-OP MONTH**

with an  
**OPEN HOUSE!**

KEM Electric will be serving hot dogs and chips

**Thursday, Oct. 13**

**11:30 a.m. - 1:30 p.m.**

**KEM Electric office, Linton**

*We're pleased to serve your community and want to say thank you  
for being a KEM Electric Cooperative member!*

"When you see the Touchstone Energy® logo, you know this is a locally owned, community-minded electric cooperative, providing high standards of service for members, large and small."

A Touchstone Energy® Cooperative



# The POWER of PEOPLE



by Luann Dart

Neighbor helping neighbor. Cooperative helping community. Applying the basic cooperative principles, North Dakotans have worked together to help themselves, bringing the brilliance of light to homes, farms and businesses across the state.

As we observe Co-op Month in October, electric cooperative members should be proud of the success of the cooperative business model and the spirit of cooperation that these organizations promote.

**What makes cooperatives special?** Cooperatives are owned and controlled by those they serve. Each person has a voice and a vote in the co-op's activities. The cooperative way of doing business is a true example of grass-roots involvement and democracy in action. The power of the people is exemplified in the seven principles that guide all types of cooperatives. The following stories show how KEM Electric Cooperative has given you the power through these seven principles.

## USING RELIABLE SERVICE

**1** **Voluntary and open membership:** Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without discrimination.

The family farm of Rick and Char Mittleider near Tappen is powered by KEM Electric Cooperative – from the grain bins drying the crops to the toasty electric heat warming the home.

“We have natural air drying in our grain bins and that sure is a plus,” Rick says. Drying the early-harvest crops with natural air has been successful for the family farm since KEM Electric installed the off-peak system.

The family also uses an electric plenum heater to heat their home.

A plenum heater is a forced-air heating device that is installed in the plenum, which is the spot in the ductwork system where ducting and the furnace join. Air is heated as it flows across electric elements and then distributed through the existing ductwork. A plenum heater is a low-cost way to upgrade a heating system, turning a fossil-fuel furnace into a dual-fuel system, and to benefit from lower costs. Because electric heat has been less expensive than propane, the Mittleider family has not used the option to switch the plenum heater from electric to propane energy, Rick says.

“It’s a good heat. We enjoy it,” he says. The family also uses electric Marathon water heaters in both their homes and shop buildings.

The family also uses floor heat in two shops on the farm, setting the thermostat at 48 degrees in the winter to create a comfortable working environment.

“We’re glad we went with that,” Rick says. “It’s a nice

heating system.”

KEM Electric has been helpful in providing information about the family’s energy-efficient options, Rick says. “They have reasonable power. They’ve been able to keep their costs in check. Electricity still costs more elsewhere,” he points out.

And he appreciates the cooperative’s response when Mother Nature causes power outages.

“They do a good job getting it fixed and we appreciate that,” he says. “We’re pleased with our cooperative.”

## YOUR VOICE IS HEARD

**2** **Democratic member control:** 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).

When Dave Baumgartner raises his hand at KEM Electric Cooperative’s annual meeting, he is doing so as one of the electric cooperative’s 2,118 owners.

By regularly attending the annual meetings and voting, Baumgartner stays involved with his electric cooperative and learns about the cooperative’s financial status and plans for the future, the Hazelton farmer says.

“It’s important to go and be a part of the process,” he explains.

Baumgartner likes the local connection he gets with the cooperative, by being able to talk to employees or directors whenever he has questions.

“I know the board member that represents my district very well. I can talk to him anytime,” says Baumgartner,



The Mittleider family includes (left to right) Rick, Char, April, Andrew and Joy and Andrew Faul.



Members elect their board representation at the annual meeting of KEM Electric Cooperative.

who is represented by Adolph Feyereisen.

Baumgartner, who started farming in 1985, is now semi-retired. He and his wife, Sandy, who teaches in Hazelton, used the cooperative's programs when they installed a ground-source heat pump in their farm home, where they raised four children.

"It's been a good thing for us," he says of the energy-efficient heating system recommended by the cooperative.

"We have a very strong co-op," he says, although limited growth in the area may pose a challenge in the future.

"There's not a lot of industry in our area, so it's a challenge for everybody. The number of people living here is down, but the expenses are getting greater," he says.

Despite potential challenges, Baumgartner believes in the cooperative business model.

"I hope people stay involved, especially the younger people so we can keep it going," he says.

### CAPITAL CREDITS UNIQUE TO CO-OPS

**3. Member economic participation:** Members contribute to, and democratically control, the capital of their cooperative. Part of that capital is the common property of the cooperative. Surplus capital is often returned to the members.

Did you know that electric cooperatives return money to their members in the form of capital credits? Does that surprise you? It shouldn't. It's one of the seven cooperative principles that makes cooperatives unique.

KEM Electric Cooperative is a nonprofit business, providing at-cost electric service to its members.

A co-op's net margins, or what is left above expenses and reserves, belong to the members. The margins must either be used to improve or maintain operations, or be distributed to the members.

So, when all the expenses are paid, the cooperative's margins are credited to you in the form of capital credits. As the financial condition of your cooperative allows, you are paid these capital credits in a check. In the meantime, your capital credits are your equity in the cooperative.

Refunds are allocated based on the amount of business a member does with the cooperative – the more electricity used, the larger the capital credit check.

KEM Electric's board typically opts to return capital credits in May. This year, the co-op retired \$350,751.59 to the general membership and \$24,801.42 to estates.

### CO-OP LED BY LOCAL BOARD

**4. Autonomy and independence:** Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

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.



*The current board of directors includes (left to right): Victor J. Wald, Dean Hummel, attorney Tom Bair, Carmen Essig, Milton Brandner, Adolph Feyereisen, Dean Dewald, Carter Vander Wal, and CEO/General Manager John J. Knox.*

The cooperative is divided into five districts with one director representing each district and two at-large board seats. Directors are elected to serve three-year terms. 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; and at-large directors, Dean Hummel and Carmen Essig.

The directors represent the consumers' interests and make decisions regarding electric rates, programs and services to meet the unique needs of the cooperative and its members. Directors attend monthly board meetings, and board meeting highlights are published each month in KEM Electric Cooperative's pages in *North Dakota LIVING*, as well as on the cooperative's Web site at [www.kemelectric.com](http://www.kemelectric.com)

Since an understanding of the issues facing the industry is vital, directors also undergo training so they can help the cooperative progressively work toward the future.

### KEM ELECTRIC KEEPS YOU INFORMED

**5. Education, training and information:** Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of the cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

Education, training and information are vital at KEM Electric Cooperative – both inside and outside the office.

"Proper training is the most important thing there is, from the time you start school until the time you retire, and maybe beyond that," says Brian Jacob, manager of member services at KEM Electric.

The 19 employees at KEM Electric update their CPR and first-aid training every year and participate in workshops ranging from defensive driving to handling hazardous materials. Lineworkers also regularly attend

sessions, such as practicing pole top rescues or using safety equipment properly.

Training extends into the boardroom, too. To help directors with their responsibilities, training is offered through the electric cooperative's statewide association.

The North Dakota Association of Rural Electric Cooperative (NDAREC), Mandan, develops and delivers a comprehensive menu of professional development programs for co-op directors and employees designed to strengthen their work.

For its education menu, NDAREC also accesses the board governance curriculum the National Rural Electric Cooperative Association (NRECA), Arlington, Va., makes available to co-ops across the country.

NRECA has developed specialized coursework for directors seeking more education about the industry. Upon successful completion of required courses, directors earn the credentialed cooperative director certification. Six of the KEM Electric directors have achieved this certification, while the seventh director, who is the newest director, has been working toward his certification.

Those courses cover director duties and liabilities, understanding the electric business, board roles and relationships, strategic planning and financial decision-making.

Education also extends beyond the office doors. The cooperative regularly presents electrical safety demonstrations to students during farm safety camps in its service territory.

"Most kids, by the time they're 10, have probably seen the safety program three times," Jacob says.

During the programs, cooperative employees share messages about not flying kites near power lines, not climbing trees near power lines and making sure farm equipment is moved safely without contacting overhead lines.

The safety message is important, Jacob says, even for children.

"Power lines are always overhead and that's the message we try to get across. Look UP, look OUT and stay alive," he says. "Not too many people get a second chance when they come into contact with a power line."

KEM Electric also keeps members informed about issues affecting the cooperative. Through *North Dakota LIVING*, its Web site and bill stuffers, the cooperative shares information about energy conservation, new services and legislative issues that may affect members.

To learn more about the services and programs available at KEM Electric, contact the cooperative or visit [www.kemelectric.com](http://www.kemelectric.com).

**6. Cooperation among cooperatives:** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, regional, national and international structures.

As KEM Electric Cooperative's representative on the statewide board of the North Dakota Association of Rural Electric Cooperatives (NDAREC), Milton Brandner regularly spans the miles between his Zeeland home and the NDAREC office in Mandan.



Brian Jacob shares information about energy-efficient products during KEM Electric's annual meeting each year.



Milton Brandner, Zeeland, a director for KEM Electric Cooperative, visits with Jean Brandt, Kramer, North Dakota director for North Central Electric Cooperative, during a seminar.

Brandner was elected to represent KEM Electric on the statewide board five years ago, where he joins 21 other directors, each representing their local electric cooperatives. North Dakota also has a representative on the board of the National Rural Electric Cooperative Association. At each level - the local, state and national - a board of directors represents the interests of cooperative members.

At the state and national levels, the political thunder becomes louder as directors discuss legislation that will affect cooperative members.

"Statewide is our vehicle for communication as far as the state Legislature and the national level," says Brandner, who has served on the KEM Electric board for 26 years.

"More regulations have complicated things more," he says.

But the 16 distribution electric cooperatives in the state have common goals, he says.

"You find out how similar you really are. You all have the same problems," he says. "You get more of a detailed picture of how the co-ops function and how much they are the same."

Brandner enjoys the time he spends with cooperative issues. "I can't wait to get to the meeting. I really enjoy the different issues that come up," he says.

"I think serving on the cooperative board is real important. At least we have a voice and a vote when the issues come up," Brandner says.

## CARING FOR THE COMMUNITIES

**7. Concern for community:** While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

Heavy metal rocks Wishek Steel and Manufacturing, where the clang of hammers striking metal sets the beat for the company.

Inside the Wishek plant, 50 employees wrestle metal into the gleaming green Wishek Disk, which was developed to handle the rocky conditions in North Dakota fields.

"Rocks are very, very hard on discs," says President Mitch Bosch. "The majority of the time, you have to be insane to go out in a rocky field with a disc. The Wishek Disc was developed to handle the rocky conditions in North Dakota." Invented by the company's founder, Harley Brandner, the Wishek Disc is heavily demanded in the United States and Canada, along with other foreign markets.

"The export market is opening up and will be very large someday," Bosch says.

Wishek Steel and Manufacturing was established in 1969 when Brandner, a farmer at the time, turned his tinkering into a full-time business. The first Wishek Disc was built in 1973.

Purchased by Wil-Rich in 2006, Wishek Steel and Manufacturing remains a local business, with \$1.8 million in-

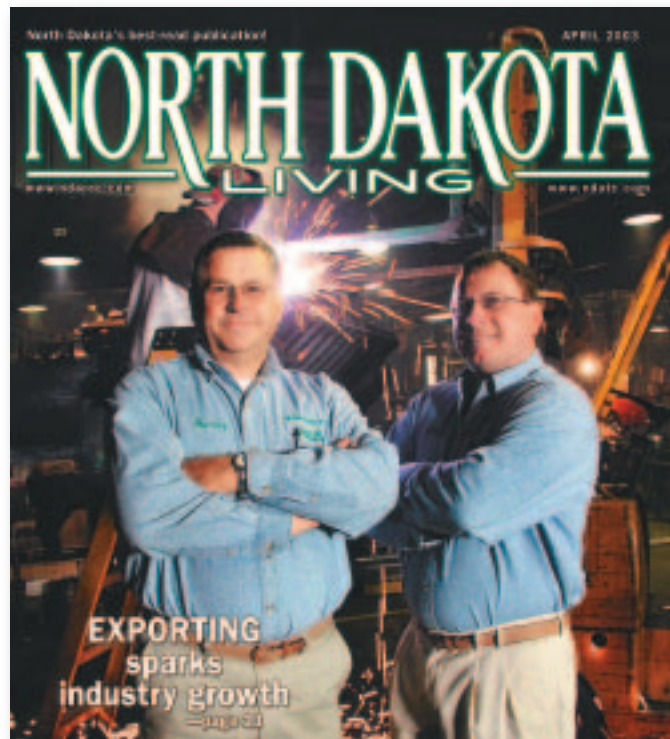
vested by Wil-Rich in plant improvements at the Wishek facility.

"It was paramount that it stayed here," Bosch says. To support the local business through its growth spurts, KEM Electric Cooperative granted a zero-interest loan of \$50,000 using federal funds through the Rural Economic Development Loan and Grant Program of the U.S. Department of Agriculture (USDA) to help the company expand. Then in 2008, KEM Electric acquired a \$740,000 loan for the company.

Wil-Rich used the zero-interest loan to construct an additional 12,000-square-foot facility for assembly work in Wishek, and purchase five-ton cranes for the facility, according to Kurt Muehler, the CFO with Wil-Rich.

"That was the first step in the upgrades," Muehler says. "The loan was zero interest, so that really helped us."

"KEM Electric Cooperative was proud to be able to use one of our economic development tools to help one of our communities and Wishek Steel and Manufacturing," says KEM Electric General Manager and Chief Executive Officer John J. Knox. "These loans or grants are unique to only electric cooperatives that are able to access this type of money. The importance is that our communities are able to keep existing businesses or bring new businesses to the communities by being able to retain or bring new jobs in to the area, which helps our communities to maintain our way of life, maintain our schools, and provide that unique rural lifestyle that we so much enjoy."



Harley Brandner, left, and Mitch Bosch, with Wishek Steel and Manufacturing, were featured on the cover of North Dakota LIVING in April 2003.

Co-ops are owned by those they serve.

# NATIONAL RURAL ELECTRIC YOUTH TOUR

High School Juniors and Seniors...

## WRITE A WINNING ESSAY AND WIN A TRIP OF A LIFETIME!

JUNE 16 to 22,  
2012

**And an all-expense-paid trip to Washington, D.C.**

- ▶ To enter the essay-writing contest, you must be a junior or senior in high school in the fall of 2012.
- ▶ You and your parents or guardian must be served by KEM Electric Cooperative.
- ▶ Essay is not to exceed two standard 8½- by 11-inch typewritten, double-spaced pages on this topic: **What would your day be like without electricity?**
- ▶ Submit your essay in hard copy or electronic format to KEM Electric. Electronic submissions should conform to the two-page, double-spaced guideline described above. Include a cover page with your name, date of birth, school and grade in 2012, parent or guardian's name, address and telephone number.
- ▶ The deadline is **January 30, 2012**. E-mailed entries should be directed to Lisa Cross at [lcross@kemelectric.com](mailto:lcross@kemelectric.com), and hard-copy entries mailed to: Youth Tour Essay Contest, KEM Electric Cooperative, P.O. Box 790, Linton, ND 58552-0790
- ▶ If you have a question, contact Lisa Cross, KEM Electric, at the address listed above, or call (701) 254-4666 during regular business hours.



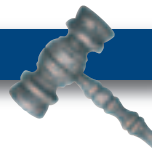
### TOP 3 REASONS TO ENTER THE ESSAY-WRITING CONTEST

1. All-expense-paid trip to Washington, D.C., compliments of KEM Electric Cooperative.
2. A whole week to visit unforgettable historic monuments, museums and the U.S. Capitol.
3. A learning experience you'll never forget.

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[www.ndyouthtour.com](http://www.ndyouthtour.com)  
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[www.youthtour.coop](http://www.youthtour.coop)





Aug. 23

- Reviewed report from the Voucher Review Committee
- Approved a capital credit estate retirement
- Approved the special equipment summary
- Reviewed 2010 cost-of-service study

## New to members: e-bill

With e-bill, you can simply access your current billing information online. You can also view payment history, electric usage and monthly cost comparisons. E-bill also offers the flexibility to pay your bill online with e-check or credit/debit card.

### What is e-check?

E-check is very similar to our pay-by-bank option. With e-check, you can make a one-time monthly payment with your checking or savings account. You will need to furnish the bank information, including the account number and the routing number. This is required every time you choose to pay with e-check.

### How does the credit/debit card option work?

KEM Electric will be accepting VISA, MasterCard and Discover personal credit/debit cards as a form of payment on residential members' electric bills as long as the total amount due is below \$1,000. Due to fees associated with processing the credit/debit cards, KEM elected to accept only VISA, MasterCard and Discover personal credit/debit cards. The ability to have the option of recurring credit/debit card is also available. An authorization form will need to be signed and mailed to the cooperative office before this feature is available. To sign up for recurring credit/debit card, call the cooperative office or print the authorization form from the KEM Web site, [www.kemelectric.com](http://www.kemelectric.com), and submit it to the cooperative office.

To sign up for e-bill, visit the KEM Web site, where you will find more information along with the secure link to the e-bill Web site. If you have any questions or concerns, please contact the cooperative office.

### FEATURES:

- View and pay bills online
- No charge for participation
- Go paperless and protect the environment
- Get 24-hour access
- Set up automatic payment
- Receive e-mail alerts when bills are ready
- Choose from several payment options:
  1. Manually enter payments online from a checking or saving account
  2. Have funds automatically deducted from checking account each month
  3. Make payments with credit/debit card
  4. Have funds automatically deducted from credit/debit card each month



## Be SAFE this Halloween

Most people think of Halloween as a time for fun and treats. However, roughly four times as many children aged 5-14 are killed while walking on Halloween evening compared with other evenings of the year, and falls are a leading cause of injuries among children on Halloween. Many Halloween-related injuries can be prevented if parents closely supervise school-aged children during trick-or-treat activities.

### KEM ELECTRIC COOPERATIVE INC.

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

#### DIRECTORS:

Dean Dewald, Chairman .....Steele  
Milton Brandner, Vice Chairman...Z eeland  
Carter Vander Wal, Sec.-Treas. ....Pollock  
Carmen Essig, Director .....Lehr  
Adolph Feyereisen, Director .....Braddock  
Dean Hummel, Director .....Hague  
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'  
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#### OFFICE HOURS:

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

Web site: [kemelectric.com](http://kemelectric.com)  
email address:  
[kem@kemelectric.com](mailto:kem@kemelectric.com)

A Touchstone Energy® Cooperative