

# Challenges Met, Challenges Ahead

**C**OOOPERATIVES MEETING THE CHALLENGE” WAS the theme of the 57th annual meeting of East River Electric Power Cooperative on Sept. 5 in Sioux Falls. Several hundred electric cooperative officials and utility industry colleagues attended the event at the Sioux Falls Convention Center.

In their annual report to members, Board President Wayne Wright and General Manager Jeff Nelson described how the power supplier and its 21 member distribution systems in eastern South Dakota and western Minnesota have addressed a variety of challenges during the past 12 months.

During 2006, East River delivered a record 2.4 million megawatt hours of wholesale power to its member systems, nearly a 5 percent increase over 2005. Peak demand reached an all-time high of 436 megawatts (mw) in January 2007, compared to the previous peak of around 400 mw.

“Since 2001, energy sales to our member distri-

bution systems and peak loads have grown by 33 percent, reflecting significant load growth,” Nelson said, “which is well above the national average.”

To meet the challenge of providing power for these new cooperative member-consumers, East River has embarked on a \$30 million construction work plan this year. Crews began the construction this summer of three new substations and more than 50 miles of transmission lines to help local cooperatives serve a new ethanol plant, commercial facilities and residential load growth in their service areas. When the Millennium Ethanol Plant near Marion begins operations later this fall, East River cooperatives will serve seven ethanol plants in South Dakota.

During 2006, East River’s financial position also improved, with total margins of nearly \$6 million at year-end 2006. Despite this excellent financial performance, the regional power supplier is facing

By  
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**PANEL DISCUSSION** – Following the 57th annual meeting of East River Electric Power Cooperative, a panel of regional experts discuss energy-related legislative issues facing electric utilities in the region. The panelists are, from left, Scott Parsley, East River’s assistant general manager of member services; Tom Graves, executive director, Mid-West Electric Consumers Association; Dennis Hill, general manager, North Dakota Association of Rural Electric Cooperatives; Audry Ricketts, general manager, South Dakota Rural Electric Association; and Lee Sundberg, director of governmental affairs, Minnesota Rural Electric Association.

growing challenges that will dramatically affect future wholesale power rates.

“To develop strategies for meeting the challenges we face, East River is working with the boards and employees of its member systems to renew our current Strategic Plan,” Nelson said.

A challenge is an opportunity to demonstrate an organization’s core values. “As we face the future, East River will continue to follow its mission statement: “To Enhance the Value of Our Member Systems,” Nelson said. “We are also committed to providing a competitively priced wholesale power supply – supported by good business decisions, careful planning and by practicing the Touchstone Energy® values and cooperative principles.”

### Awards Ceremony/Energy Issues Forum

Following lunch, President Wright presented East River’s annual Eminent Service Awards to the American Coalition for Ethanol and two ethanol advocates in recognition of the advocacy group’s 20 years of promoting, educating and marketing the benefits of ethanol as a homegrown, renewable fuel that boosts the local economy. Accepting awards were ACE Board President Bob Scott, Sioux Falls; Board Treasurer Owen Jones, Britton; and founding director/ethanol advocate Orrie Swayze, Wilmot.

“The efforts of ACE members and staff led to the development of 200 ethanol plants in the United States,” Wright said. “Ethanol plants boost farm revenues, create good jobs, increase the local tax base and reduce our dependence upon imported oil.”

The afternoon session featured a panel discussion on energy issues. Regional experts discussed legislative issues that are impacting electric cooperatives and utilities in their states. The issues included renewable portfolio standards, energy conservation and energy efficiency requirements. The panelists described ways cooperatives are working to help reduce the impact of these challenges on their co-op and the members’ energy bills.

The final item on the agenda was the regional power supplier’s annual business meeting. Eight directors were elected to seats on the East River board.

Headquartered in Madison, S.D., East River is a power-supply cooperative that delivers wholesale power through a 2,600-mile transmission system to 21 member electric distribution systems. These distribution systems in turn provide retail electricity to nearly 90,000 homes and businesses in a 36,000-square-mile service area, covering 41 counties in eastern South Dakota and nine counties in western Minnesota. East River and its member cooperatives belong to an alliance of 642 Touchstone Energy Cooperatives in 46 states, delivering energy and energy solutions with integrity, accountability, innovation and commitment to community.



**Board President Wayne Wright, left, presents East River’s 2007 Eminent Service Awards to the American Coalition for Ethanol and two ethanol advocates. Accepting awards were, from left, ACE Board Treasurer Owen Jones, Britton; ACE Board President Bob Scott, Sioux Falls; and founding ACE director/ethanol advocate Orrie Swayze, Wilmot.**

## Challenges Facing Electric Cooperatives

**Despite years of stable power rates,** electric cooperatives are facing growing challenges that will dramatically affect future rates. The challenges include:

- **The Challenge of Rising Power Costs:** The drought in the Missouri Basin continues to force the cost of hydropower to higher levels. Western Area Power Administration is proposing a 25 percent bulk power rate increase for 2008.

Also, East River’s other power supplier, Basin Electric Power Cooperative, must make new capital investments for needed baseload, peaking and renewable generation resources, along with required transmission and environmental projects. Basin’s bulk power rates will begin rising in 2008. Costs are also rising for fuel, transportation, building materials, environmental compliance and transmission access.

- **The Challenge of Meeting Load Growth:** Since 2001, energy sales to East River member systems and peak loads have grown by 33 percent. Reasons for this dynamic growth include increased consumption of electricity by existing customers, new residential subdivisions and commercial developments in areas served by our member systems. Also, energy-based industries are constructing new facilities in cooperative service areas. East River members now serve seven ethanol plants.

To keep its commitment to provide this power, crews are constructing new transmission lines and substations and upgrading existing facilities in growth areas. East River is also building transmission lines and substations to connect

new renewable energy generators to the electric grid.

- **The Challenge of Public Policy Impacts:** Heightened environmental standards, renewable portfolio standards, energy efficiency mandates and climate-change legislation will increase the cost of providing power to cooperative members. Cooperatives are meeting this challenge by increased input during debates on public policy and regulatory decisions at the state and national levels. East River, its member systems and other partners influence key issues, from air emissions to rail reform on behalf of the member-consumers.

- **The Challenge of Supporting the Economy:** Cooperatives are meeting the challenge of supporting the local economy by participating in a variety of economic development and community support initiatives, including the Rural Electric Economic Development (REED) Fund. During 2006, member systems made 17 loans for nearly \$4 million through REED that resulted in 750 new or retained jobs.

Since organized in 1996, the member systems of East River Electric made 160 loans for \$32.6 million through REED that created or retained 4,500 jobs, according to the 10-year report. The REED Fund has grown to a total capital of more than \$19 million today.

Also, East River helped form the Dakotas America LLC, which received a \$50 million allocation of federal new markets tax credits to encourage investment in projects in low-income areas. So far, \$25 million of these credits have been placed for projects in rural South Dakota.