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THE POWER

from Heartland Consumers Power District

Extreme Energy Home Makeover deadline approaching for Lake Crystal residents

Electric utility customers in Lake Crystal, Minnesota, can still apply for Heartland's Extreme Energy Home Makeover. The winning resident will receive \$20,000 in energy efficiency improvements to their home.

Lake Crystal was chosen in June as the winning community to have a residential makeover performed as part of Heartland's energy efficiency program, Power Forward. Heartland performed a similar makeover in 2009 on a home in Colman, South Dakota.

"For the residential makeover, we'll look at things such as the age of the home, square footage, age of appliances and average energy bills," said Heartland Communications

Manager Ann Hyland. "The home energy makeover is an excellent educational tool for all homeowners to see the benefits of efficiency improvements."

The contest rules and application can be found at www.youcanpowerforward.com. Applications are due to Lake Crystal City Hall September 10, 2010.

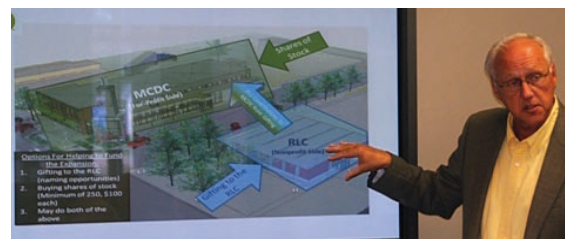


USDA funding "key" for Howard project

The American Recovery and Reinvestment Act and a loan guarantee from USDA Rural Development are aiding in construction of a new hotel and convention center in Howard, S.D.

The Miner County Development Corporation is building the hotel and convention center, which is the second phase of development for the Maroney Rural Learning Center. Funding for the \$6.4 million project came from several places, including Heartland, but Rural Learning Center President Randy Parry said the key to moving the project forward was USDA's Business and Industry loan guarantee through Miner County Bank.

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Rural Learning Center President Randy Parry presents an artist's rendering of the final Maroney Rural Learning Center complex.



Manager's REPORT

Federal energy and environmental policy:

- Senate Majority Leader Harry Reid (D-NV) has pronounced dead proposed legislation to limit greenhouse gas emissions (GHGs) to only the electric industry. However, there still may be energy legislation to address issues related to the BP Gulf oil spill that could include aggressive limits on SO₂, NO_x and Mercury emissions, as well as expanded renewable energy incentives, mandatory federal renewable portfolio requirements and expanded incentives for energy efficiency, conservation and demand side management.
- The Environmental Protection Agency (EPA) continues to move steadily towards imposing GHG emission regulations under the Clean Air Act, as well as implementing a broad array of proposed regulations and limitations on coal-fired plant operations and coal mines. The organization is reportedly considering a mandatory fuel switch to natural gas as part of Best Available Control Technology in its regulation of coal-fired power plants.
- Final rules regarding GHG emissions regulations from power plants and other stationary sources will be published in early 2011. It seems very clear the Administration hopes to implement a virtual prohibition of the use of coal for power generation. Bipartisan moves in both the House and Senate failed to block funding for the EPA anti-coal initiatives.

Other News:

- Final settlement of the cancelled Big Stone II project expenses and transmission asset values has been agreed upon between Otter Tail and other participants. Final settlement documents were executed in early August.
- Grayrocks Reservoir, source of cooling water for Laramie River Station (LRS) in Wheatland, Wyoming, remains 100% full. LRS is releasing excess water downstream into Nebraska, providing flows on the Platte River not seen in a decade. LRS has also begun to allow existing contracts for purchases of ground water cooling to expire. The project hopes to leave the groundwater collection system in place if acceptable payment agreements can be reached with landowners.
- All the Missouri River main stem projects are now in the flood pool and the U.S. Army Corps of Engineers estimates 2010 power production at levels not seen in a decade. Continuing high runoff levels will require releases to begin lowering reservoir levels for next spring's projected runoff. Additional hydropower production made available by these releases will add further downward pressure on already low market prices for power transactions in the Joint Marketing Program operated by Western Area Power Administration (WAPA), Basin Electric and Heartland. Power customers met with WAPA officials in August to discuss the response to a Federal Energy Regulatory Commission initiative on defining transmission cost allocations and future non-Federal funding policies.

Mike McDowell
General Manager

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Madelia
Marshall
New Ulm
Truman
Tyler

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South Dakota
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Sioux Falls
South Dakota Development Center
Tyndall
University of South Dakota
Volga
Wessington Springs
White

Public Power Week approaching; customer participation encouraged

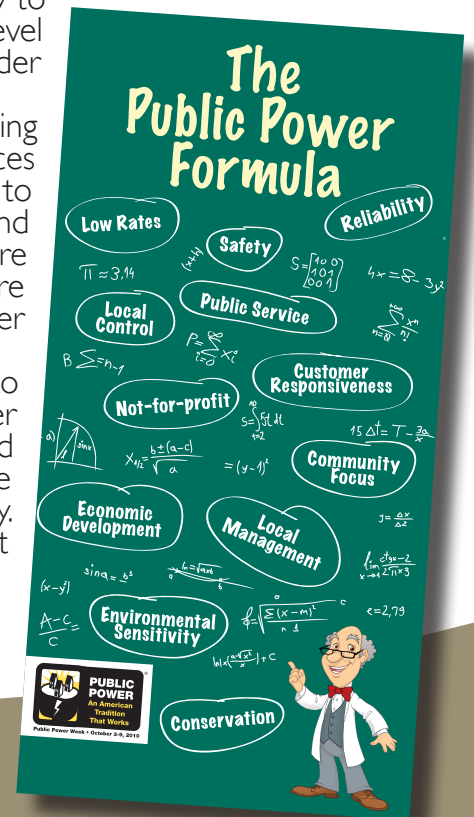
More than 2,000 communities and 45 million Americans enjoy the benefits of public power. To mark the importance of this reliable, low-cost power supply option, the first full week of every October is Public Power Week.

Sponsored in conjunction with the American Public Power Association (APPA), Public Power Week marks its 24th anniversary this year. As a public power provider, Heartland encourages you to draw special attention to your utility and its value during this week. Be sure to let your customers know the advantages of public power, including low rates, local control, reliability, efficiency and public accountability. Remind your customers their utility is a valuable community asset that contributes to the well-being of residents through energy service, customer service, economic development and safety awareness. You also have the opportunity to reach out to your community on a personal level and respond to concerns and suggestions in order to better serve your customers' needs.



APPA offers tools to help you celebrate Public Power Week, including promotional logos, sample news releases, sample proclamations, web resources and more. Similarly, the APPA Product Store offers several low-cost items to help promote public power in your community, including books, CDs and DVDs, childrens' educational materials and more. All of APPA's resources are "evergreen" and can be used year-round. Promotional materials for 2010 share a theme focused on The Public Power Formula, as seen in the brochure cover pictured right. Visit www.appanet.org to download free logos and material.

As part of our commitment to you, Heartland will be submitting stories to the local newspapers in our customer communities the week of September 27th. The articles will focus on the advantages of public power and remind your customers of the benefits they receive from their local utility. We encourage you to contact your local paper and ask them to run the story. If you would like to celebrate Public Power Week and need ideas, contact Danielle Rosheim at drosheim@hcpd.com or (605) 256-6536.



What is YOUR utility planning for Public Power Week?

It is never too early to start planning your utility's celebration, but where to start? Below are some examples of 2009 Public Power Week celebrations, as reported to APPA.

- Kissimmee, FL, Utility Authority (KUA) sponsored a community blood drive, a Twitter contest, student calendar art contest and outdoor music festival.
- Hopkinsville, KY, Electric System (HES) hosted a customer appreciation day featuring a "Lunch on the Lawn," door prizes, energy efficiency information, utility truck bucket rides and free compact fluorescent light bulbs (CFLs) to the first 100 customers to arrive. Additionally, HES held a separate employee appreciation cookout and bonfire.
- Traverse City, MI, Light & Power held an open house with CFL and hardhat give-a-ways, prize drawings and live demonstrations of bucket truck operation, pole climbing and electricity safety.
- Columbia River People's Utility District (PUD) in St. Helen's, OR, held its eighth annual free community dinner featuring a magician and raffle. PUD also held an open house and hosted an employee luncheon.

For more ideas, visit APPA's website at www.appanet.org. Public Power Week information can be found under the Special Utility Programs heading.

Clueless about energy efficiency?

In an August *Newsweek* editorial, "Green and Clueless," columnist Sharon Begley addressed the American public's general lack of understanding of energy efficiency and conservation. According to Begley, "Even people who want to 'save the planet' have no idea what they're doing."

Begley's commentary stemmed from a *New York Times* article about "utilities included" apartment dwellers who leave their air conditioner running when absent for days at a time. Even though wasting energy and using it inefficiently accounts for a large portion of greenhouse gas emissions that cause global warming, people don't care or understand how to conserve energy.

In her piece, Begley cited a survey led by scientist Shahzeen Attari, of the Earth Institute at Columbia University, in which 505 Americans were asked to name the best ways to conserve energy. Only 12% of participants mentioned efficiency improvements as "the most effective way" to conserve energy while 55% mentioned curtailing use, including turning off lights and walking instead of driving.

"No wonder Americans are so resistant to taking personal steps to mitigate climate change: they think it means doing without," Begley wrote. "We are just not going to become a nation of pedestrians, let alone do

without all our electric toys. Energy efficiency offers the only possibility for dialing back our voracious consumption of energy and the fossil fuels that generate it."

According to a 2009 analysis by scientist Thomas Dietz of Michigan State University, as opposed to national policies like cap-and-trade, household improvements—such as weatherization, upgrading to energy efficient appliances, upgrading furnaces and regularly changing air filters, switching to higher-mpg cars and not wasting power—would cut U.S. household emissions by 20% and U.S. carbon emissions by 7.4%.

Begley's point was this: we can continue to satisfy our materialistic needs, but with less electricity and gasoline and still have a dramatic, positive impact on our environment and energy use. However, our first major hurdle seems to be understanding what it actually means to be environmentally responsible. "The notion of making 'informed choices' is great, but it kind of requires being, well, informed."

To read Begley's editorial in its entirety, go to www.newsweek.com or visit Heartland's blog, Forward Thinking, at www.hcpd.com/blog. For tips on how you can lead a more energy efficient lifestyle, visit our energy efficiency pages at www.youcanpowerforward.com.

Madison business finds new home

Secure Banking Solutions (SBS) of Madison recently announced a major expansion into a new location and facility, a move in which two Heartland individuals played important roles.

SBS plans to occupy 3,500 square feet in a newly constructed office building to be built in Madison's first tax increment financing (TIF) district. TIF is a public financing tool commonly used for community development projects that uses future gains in taxes to finance current improvements, which theoretically will create the conditions for those future gains. Madison's TIF district was established in 2008, much to the credit of the Lake Area Improvement Corporation (LAIC). At that time, Heartland General Manager Mike McDowell was the active LAIC president and considers its creation "one of the major highlights" of his term. McDowell remains an active member of the LAIC Board of Directors and was very excited by SBS' plans for expansion.

"With the help of progressive leadership, SBS has become a regional leader in banking security," said McDowell. "Their company provides excellent opportunities for growth and this move secures development of the entire area."

The LAIC is also involved in the property's development, providing \$150,000 in financing from their revolving loan fund for the construction of the office building. Heartland Manager of Community & Economic Development Russell Olson presently sits on the loan review committee.

"With its favorable interest rate and terms, the gap financing provided by the LAIC made it possible to keep



SBS and LAIC officials, joined by members of the Madison community, gather to celebrate the groundbreaking of the new SBS facility.

the debt service obligation down and solidified Madison as SBS' home," said Olson.

SBS designs and builds banking security systems, offering comprehensive information and security products and consultations. With information security in high-demand, SBS has grown from four to 25 employees in its first five years, utilizing both graduate and undergraduate local Dakota State University students. The rapid growth qualified the business for a \$3,500 Heartland hiring incentive in 2007, at which point the start-up was doubling in services every year. SBS will create five to 10 new positions immediately and anticipates creating an additional 30 positions within the next 18 to 48 months.

"Madison has worked hard to assist information security businesses in conjunction with the mission of DSU," said LAIC Executive Director Dwaine Chapel. "SBS is an excellent example of education, private businesses and the LAIC working together to grow a company."

Cooper Nuclear Station seeks to wrap up license renewal process

The National Regulatory Commission (NRC) announced in mid-August no environmental reasons should prevent Cooper Nuclear Station (CNS) from operating for another 20 years. Mark Becker, media relations specialist for Nebraska Public Power District (NPPD), owner of CNS, said a final decision on the plant's license renewal application could come in late November or early December of this year. A safety review is also pending.

Located near Brownville, Nebraska, CNS began operating under a 40-year license in 1974. When Heartland originally signed a Purchase Power Agreement with NPPD, effective in 2004, to purchase 45 megawatts of power energy from CNS, we were aware the operating license was set to expire in January of 2014. NPPD filed a license renewal application with the NRC in late September of 2008 for a 20-year extension. If all requirements are met, an NRC approval would extend CNS' operating license until January of 2034.

The license renewal application contains engineering, safety, and environmental reviews along with corrective action planning tasks needed to continue operation. The renewal process includes an extensive evaluation of plant equipment, operating experience and environmental impacts. The public also has an opportunity to participate in NRC's decision-making process through public meetings, public comment



periods and renewal guidance. NPPD's campaign, POWR4 20MOR, includes a website and newsletter to provide stakeholders and the general public with up-to-date information regarding

the renewal process. For more information, visit www.nppd.com/powerfor20more/.

CNS currently makes up a portion of Heartland's power supply portfolio, complementing Laramie River Station and the Wessington Springs Wind Energy Center. CNS is the largest single-unit electrical generator in the state of Nebraska. Unlike traditional fossil fuel plants that burn coal, oil, or gas, CNS utilizes nuclear fuel, a more compact, longer lasting fuel, to produce electricity. The carbon-free facility has a net generating capacity of 791 megawatts.



Energy EFFICIENCY Tip

Efficiency vs. Conservation

There is some confusion between the terms "energy efficiency" and "energy conservation." While related, they do not mean the same thing. Conservation means making a personal choice to use less energy while energy efficiency means using energy more productively and not wasting it.

Energy efficiency is, by far, the more effective way to save energy. Turning the thermostat down may curtail use, but may also force you to suffer with uncomfortable temperatures in your home. The better solution is to weatherize your home, such as making sure your attic has sufficient insulation and sealing leaks around windows and doors. This will keep heated and cooled air in your home, where it belongs, resulting in less energy used and more comfortable temperatures.

Compact fluorescent light bulbs provide the same lighting levels as incandescent bulbs, last longer and use up to 70% less energy. Even if you don't turn the lights off every time you leave the room, you'll still save. Installing a programmable thermostat is an easy way to save energy, allowing you to enjoy comfortable temperatures while home and saving when you're not. Energy efficiency can result in big savings and doesn't mean you have to go without.

Continued from cover: USDA funds “key” for Howard project

South Dakota Rural Development State Director Elsie M. Meeks and Rural Development Area Director Trace Davids recently presented the loan funding to the Rural Learning Center at a ceremony in Howard. Heartland General Manager Mike McDowell and Manager of Community and Economic Development Russell Olson were in Howard for the presentation.

“With projects like this, USDA Rural Development and the Obama administration are making investments in America’s rural businesses,” said Meeks. “Rural Development’s B&I Loan Program enables banks to provide quality loans to small businesses through a USDA loan guarantee and, as a result, provides lasting benefits to the overall community.”

The Maroney Rural Learning Center will include a 24-room hotel, community kitchen, restaurant and dining room. The facility is being constructed to meet LEED Platinum certification. It will house cutting-edge green energy training programs that bring together

communities, high school and adult students, technical institute programs and the renewable energy industry.

Other funding involved with this project includes a \$1,040,000 economic development loan from Heartland, awarded through a USDA Rural Economic Development Loan. These funds were awarded out of USDA Rural Development’s regular funding directed to South Dakota. The Federal funding was leveraged with \$100,000 from Grow South Dakota’s revolving loan fund, \$150,000 from Northeast South Dakota Economic Corporation, equity from the Rural Learning Center and other investors.

“It will be a learning facility for businesses, industries and individuals so they can find out what it means to be green,” Parry said, indicating that he expects the RLC to draw from the surrounding area.

Construction has begun on the Maroney Rural Learning Center with sewer, water and electrical lines currently being installed.



Standing from left to right: Pat Maroney, RLC Board of Directors; Lindsey Karlson, Rural Learning Center; Dave Callies, Miner County Bank; Leo Poncelet, MCDC Board of Directors; Russell Olson, Heartland; Kevin Strickler, SD USDA Rural Development; Mike McDowell, Heartland; Trace Davids, SD USDA Rural Development; Jim Beddow, Rural Learning Center; Randy Parry, Rural Learning Center. Kneeling from left to right: Mary Stangohr, MCDC Board of Directors; Teresa Poppen, Rural Learning Center; Christine Sorensen, USDA; Elsie Meeks, USDA; Dave Dawson, Miner County Bank.