



MOR-GRAN-SOU ELECTRIC COOPERATIVE INC.

Your Touchstone Energy® Cooperative 

CURRENT

Serving Morton, Grant and Sioux counties

SEPTEMBER 2015

NEWS

68th annual meeting



PHOTO BY CARMEN DEVENEY

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Cooperative Principle #2: Democratic Member Control

Mor-Gran-Sou Electric Cooperative held its 68th annual meeting on July 17. In this month's local pages, learn the results of the board election and why YOUR vote counts!



Mor-Gran-Sou holds 68th annual meeting

BY JACKIE MILLER





Members of Mor-Gran-Sou Electric Cooperative, Inc., met at the Pavilion of Prairie Knights Casino and Resort north of Fort Yates on July 17 to conduct their business at the cooperative's 68th annual meeting. This year's theme was, "A Culture of Safety – Every Day, All Day."

The afternoon began with registration from 3:30 to 5:30 p.m. CT. Prior to a delicious banquet served at 6 p.m., a solemn prayer was offered by Reverend Dennis R. Schafer, pastor of St. Gertrude Catholic Church, Raleigh; St. Lawrence Catholic Church, Flasher; and St. Theresa Catholic Church, Carson.

Chairman Leland "Judge" Barth dropped the gavel at approximately 5:30 p.m. CT and the business meeting was underway. This year, Mor-Gran-Sou members were asked to vote for three board directors: one for the At-Large position, one for the Morton County position, and one for the Sioux County position. Incumbents Mark Doll, New Salem, and Chad Harrison, Fort Yates, retained their positions on the board. Doll is the At-Large representative and Harrison is the Sioux County representative. New to the board is Bonnie Tomac, St. Anthony, who will serve her first three-year term as a representative for Morton County. She fills the position previously held by Robert Gaebe, who chose not to seek re-election. Mor-Gran-Sou thanks Director Gaebe for his 8 years of dedicated service to the cooperative. Mor-Gran-Sou also thanks Kevin Fishbeck and Clyde Howe, Mandan, and Richard C. Tokach, St. Anthony, for campaigning to serve their electric cooperative.

Mor-Gran-Sou appreciated the opportunity to greet the many members and guests who attended this year's annual meeting. During the meeting, Regional Director

Kristen Glenn delivered a message from Senator John Hoeven. A message from Senator Heidi Heitkamp was also conveyed to the membership, and Representative Kevin Cramer delivered a message to the Mor-Gran-Sou membership in person.

Dedicated to the development of young leaders in the area, Mor-Gran-Sou recognized four scholarship winners during the business meeting including Emily Bendish and Larissa Eckholm, Mandan; Serena Frederick, Flasher; and Justine Schaff, New Salem. The teenagers competed for and received a Basin Electric Power Cooperative/Mor-Gran-Sou scholarship award in the amount of \$500 to further their education as they attend college this fall. In spite of their busy summer, three of the scholarship recipients were able to attend the meeting and thanked the membership for the scholarships.

This past June, Andrew Schafer of Flasher participated in the National Rural Electric Cooperative Association Youth Tour to Washington, D.C. Director Geiger recognized Schafer at this year's annual meeting and thanked him for representing Mor-Gran-Sou and the state of North Dakota. Schafer and other delegates from across the state and nation learned from and about each other while participating in events that showcase our nation's rich history, U.S. government, the cooperative business model and rural electrification.

Co-General Managers/Chief Executive Officers Donald Franklund and Chris Baumgartner captured this year's theme in their interesting and informative report to the membership. Franklund discussed Mor-Gran-Sou's dedication to safety, reliability, efficiency and sustainability; he then reiterated Mor-Gran-Sou's adherence to its culture of safety and pointed out that Mor-Gran-Sou received an

Outstanding Safety Performance Award from the North Dakota Association of Rural Cooperatives. He also discussed membership growth, and monitoring and building infrastructure to accommodate that growth. Baumgartner then discussed how Mor-Gran-Sou employees continue to embrace available technology and the partnership of Innovative Energy Alliance, LLC., and how the combination continues to improve efficiencies at the cooperative. Before thanking the membership for attending the annual meeting, Baumgartner also informed the members that power supply contract extensions are being discussed at the board level, and that Mor-Gran-Sou has very good working relationships with Basin Electric and the Western Area Power Administration. Chief Financial Officer Travis Kupper presented the financial report to the membership.

Directly following the annual meeting, the board of directors held its reorganization meeting. All three officers were elected to the offices they had previously held. Barth will continue to serve as the board chair; Casey Wells as the vice chair; and Geiger as secretary-treasurer. These officers will serve a one-year term.

The board of directors and staff of Mor-Gran-Sou wish to thank the members for participating in the 68th annual meeting of the membership, and look forward to meeting its members' electrical needs in the future. ■

DIRECTOR ELECTION RESULTS

At-Large:

Mark Doll – 415 votes;
Kevin Fishbeck – 152 votes;
Clyde G. Howe – 142 votes

Morton County:

Richard Tokach – 348 votes;
Bonnie Tomac – 364 votes

Sioux County:

Chad Harrison – 618 votes



Robert Gaebe

Making it a better place

STORY AND PHOTOS BY CARMEN DEVNEY



Robert Gaebe, a Mor-Gran-Sou Electric Cooperative member from New Salem, served on the co-op's board of directors for the past 8 years. He chose not to seek re-election at this year's annual meeting.

Annually, Mor-Gran-Sou Electric Cooperative asks its member-owners if they have the desire to serve their cooperative and community, by vying for a position on the co-op's board of directors. The board is responsible for representing the membership. They do this by listening to members' questions and concerns, and taking them to the board room; discussing industry issues and strategizing for growth; and taking great care with cooperative expenses and investments.

If you considered serving but thought you were too busy, you might be inspired by Robert Gaebe — a New

Salem resident who has represented Morton County on Mor-Gran-Sou's board of directors for the past 8 years. At this year's annual meeting, he chose not to seek re-election.

In addition to serving on the Mor-Gran-Sou board, he also served on the Land O'Lakes board for 16 years; the National Dairy Promotion board for 7 years with one-and-a-half years as chairman; the Southwest Mutual Insurance board, the Salem United Church of Christ board as director and vice chairman, and the New Salem Lions Club board as director and past chairman.

In his "free time," he drives a school bus for New Salem, and works for Buehler-Larson Funeral Home part-time. He also helps one of his son-in-laws deliver grain bins to Montana, and shares fresh produce with family and friends who appreciate his love of gardening.

Robert Gaebe is busy — but it is important for him to be a living witness of the Touchstone Energy® value of commitment to community.

A Mor-Gran-Sou member from northwest of New Salem, Robert has lived on the family farm for 77 years. He and his wife, Mary Alice, farmed, milked cows and raised feed. He traded milking cows for other business ventures at age 65; Mary Alice continues to work at the Morton Mandan Public Library. The couple has five grown children and 10 grandchildren; all of which live in North Dakota.

Robert says he remembers some Mor-Gran-Sou linemen setting poles and stringing power lines at the farm. Prior to having electric service, his family milked cows using a gas

generator. They kept a gas lantern in the barn and a kerosene lantern in the milk house. Even though they had heard they'd be getting electricity from Mor-Gran-Sou, they were too eager to wait. They had the house and barn wired, and used a generator until electric service became available in 1947.

In 2006, a member of the Mor-Gran-Sou Nominating Committee approached Robert and asked him to run for a seat on the board. He agreed, and ran against Pam Geiger — and lost the election. When Steve Tomac resigned from his board position to accept a job with Basin Electric Power Cooperative, another seat on the board became available. Robert again agreed to run for the position, and this time the members elected him, along with Casey Wells and Bob J. Leingang.

While he understood the cooperative business model as a member, Robert had much to learn as a new board director. He received training through the North Dakota Association of Rural Electric Cooperatives, and later pursued his Director Leadership certificate through the National Rural Electric Cooperative Association. The courses helped him understand director duties and liabilities, the electric business board roles and relationships, strategic planning, and financial decision-making.

Robert says the electric industry is interesting and challenging, and that he continued to learn over the years.

"Sometimes you get frustrated with regulations that are determined by people who are not legislators, and have never been here," he says, in reference to oversight by the Federal Energy Regulatory Commission (FERC), North American Electric Reliability Corporation (NERC) and the Environmental Protection Agency (EPA).

"What we thought was the cheapest form of energy in the world, they attacked," he continues.



“The words ‘clean energy’ are a big seller — but people don’t know the facts and costs, like the ones who sit in the board room. For instance, Basin Electric Power Cooperative has spent more than \$1.4 billion to retrofit power plants in an effort to reduce emissions.”

Robert says he used to think his dad saw the biggest change in civilization from horse and buggy to jet planes.

“But what we’ve seen in technology in the last 30 years is mind-boggling,” he says.

Getting to know the members, employees and directors at the cooperative was one of the great rewards of his board service, Robert reflects.

“Working with Cindy (Ternes) and Jackie (Miller) has been a real

treat, and Randy (Ressler) and all of the employees. They are all wonderful to work with,” he says. “Don (Franklund) and Chris (Baumgartner) work so well together. It’s a pleasure to watch all that and learn from it — and try to put your own two cents’ worth in, and they listen.”

During his 8 years on the board, Robert says only 10 or so members came to him with questions or concerns. From regulatory issues to capital credits, storm damages and more, he knows there is a lot to understand in the industry, and he encourages members to ask questions and make their voices heard. He also encourages them to exercise their right and vote at the cooperative’s annual meeting.



Married for 50 years, **Mary Alice Gaebe** has supported her husband’s desire to serve as a director on many boards, to make their community a place where people want to come, visit and stay. Here, she is joined by granddaughter, **Annika**.

“People don’t believe it’s important, but boy, it is,” he says.

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Electric sales on track in 2015

A MESSAGE FROM TRAVIS KUPPER, CHIEF FINANCIAL OFFICER



Kupper

find it hard to fathom that another summer has come and gone. Between chasing my kids and trying to take in all the events and activities, summer sure has gone fast.

It is also hard to believe that we are fast approaching year-end, and with that, the beginning of a new year. One of the events I attended this summer was Mor-Gran-Sou Electric Cooperative’s annual meeting. It was a great evening, and we were blessed with great member participation.

At the 2015 annual meeting, I presented a recap of the 2014 financial year, along with the audited financial statements. Brady, Martz & Associates from Bismarck once again audited the financial statements of your cooperative. Although they annually send a team to our office to conduct the audit, we work closely with them throughout the year to ensure proper procedures are followed. Mor-Gran-Sou, once again, was given an unmodified

opinion. This opinion is the highest level awarded to an audit, and expresses the auditor’s confidence in the financial statements prepared by us. I am very proud of all our employees who work with a great deal of fiscal dedication in obtaining this opinion level each year. The annual meeting report can also be found on our website at www.morgransou.com.

If you heard my report at the annual meeting or read through the annual report you received with the ballot packet in July, you may have noticed two larger variances in the operating income and net margin when comparing the 2013 and 2014 financial statements. These two decreases can be attributed to a revenue deferral plan that was instituted by the board of directors in 2014. You can liken this to putting some money in a savings account for future use. By deferring some of our 2014 revenue, we have created a buffer that can be used to offset a future financial need (for example, to avoid a rate increase to your account.) Even if a rate increase could not be avoided, Mor-Gran-Sou may be able to use a portion of these funds to temper the impact of any increase. No matter what the

deferred revenue dollars would be used for, it would require board action.

The weather conditions in 2014 contributed to another strong year of sales. Grain dryer fans started running early in the spring and continued throughout the summer. The fall harvest required continued use of these fans as well.

Along with increased usage for the fans, members continued to expand their existing services, and new members connected to our system at a rate that exceeded our budget expectations. These conditions contributed to higher-than-expected sales of electricity, and allowed us to implement the deferred revenue plan.

2015 is shaping up to be a more normal year. Electric sales are tracking in line with our budgeted amounts, but we still have several months to go before the year is complete. I am hopeful the rest of this year stays on track, and we don’t experience any events that we have endured during the past several years.

I look forward to visiting with you in the future. If you have questions, please do not hesitate to contact me.

I hope you enjoyed your summer. ■



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Serving his electric cooperative and on other local boards have given Robert quite an experience — and taken a significant amount of time. He credits his wife of 50 years for supporting him, and keeping the household and farm running smoothly until he returned from meetings.

Mary Alice says she also benefited by her husband's service, because he shared his experiences with her.

"Electricity and the system is more than just wires running through a house," she says. "I developed an appreciation (for the industry), and an appreciation for the directors who served, because it is a commitment."

Even though Robert retired from the Mor-Gran-Sou board of directors, Mary Alice says her husband remains deeply involved in the community.

"We just want it to make this a better place to live; a place where people want to come, visit and stay," she says. ■

Mor-Gran-Sou Electric Cooperative thanks Robert Gaebe for his many contributions to the co-op's board of directors over the years.

If you'd like to learn more about how you can serve your cooperative and community by becoming a director of Mor-Gran-Sou, please call Jackie Miller, chief of staff/manager of member services, at 800-750-8212, 701-663-0297 or 701-597-3301, or email jlmliller@morgransou.com.



Security measures protect cooperatives from fraud

BY CARMEN DEVNEY

Scams are nothing new to electric cooperatives across the state and nation. Over the past several years, we've alerted members to the possibility of con artists who

are posing as electric cooperative employees, calling members and threatening to disconnect their electric service unless a payment is made immediately via a third-party

pay system. Or, the scammers call and demand that members meet them away from the cooperative office and pay overdue bills in person.

Mor-Gran-Sou Electric Cooperative has issued several alerts in past local pages of the *North Dakota Living* magazine, warning our member-owners about these types of traps. This is happening "somewhere." It could even happen here in North Dakota.

Recently, it did. A neighboring electric cooperative was alerted to a possible fraud that was stopped by astute employees and the cooperative's local bank. An ongoing investigation is currently being handled by the Mandan Police Department. It does not involve a cooperative director, manager or employee.

So, how did this happen?

"As I understand it, the cooperative affected is still evaluating the details," says Jackie Miller, Mor-Gran-Sou's chief of staff/manager of member service. "As a Touchstone Energy® Cooperative, they, like we, have a lot of innovative security measures in place to protect member-owners, and those systems worked as they should. Additionally, we are continually assessing and testing new safety procedures, while working with our information technology partner, National Information Solutions



Cooperative (NISC), to make sure we have every protection in place to shield our member-owners.”

Cyber security

Years ago, many people feared doing business over the Internet. They felt uncomfortable sharing personal information like credit card and social security numbers, and worried about financial loss and identity theft. Turns out, paying online is one of the safest options for protecting private information, says Charlie Dunbar, Mor-Gran-Sou’s chief information officer. Dunbar provides information technology services and support to Mor-Gran-Sou, KEM Electric Cooperative, Roughrider Electric Cooperative and Slope Electric Cooperative.

In the fall of 2013, Mor-Gran-Sou introduced SmartHub to its members, in partnership with NISC. For those of you who have not taken advantage of this application, SmartHub is a mobile and Internet app that provides accurate and timely account information, and allows members to make payments in a secure environment with the touch of a button, right from their mobile device or personal computer. The app was developed by NISC.

After members enter their payment information online or with their phone, SmartHub will encrypt – and essentially scramble – the information to protect the consumer. Dunbar says this is one of the highest forms of security. Cooperative employees are also using similar encryption when members share information over the phone.

“When members provide information over the phone, a cooperative employee enters the data directly into a computer program. The numbers are immediately encrypted, and the employees can never again see anything more than the last four digits of a credit card number or social security number,”

Dunbar describes. “It’s an internal control. We don’t want employees writing down private information. We want the information encrypted, stored and made unavailable right away, to protect our employees and member-owners.”

Additional security measures are in place to protect both cooperative and consumer. Dunbar says firewalls protect what information arrives and leaves the cooperative on computers. The firewalls allow the computer to plug into the outside or inside world, and set guidelines for safety.

“It’s like a traffic cop. It basically says, ‘You can go here. But you’re not allowed in here at all; you’re stopped,’” Dunbar describes. “Mor-Gran-Sou has also added two more security measures. One, like another ‘traffic cop,’ evaluates internal and external traffic going in and out of the office. It is always looking for the same thing: Trojan horses, viruses, anything that doesn’t belong, and then it rejects it. I receive reports on that information. The other is an internal scanner that searches all of the personal computers internally before it sends any traffic out.”

Financial security

Your cooperative undergoes a comprehensive audit each year. This audit is required by our financial lenders to ensure we are complying with the terms of our mortgage, and to ensure we have adequate income to pay our bills. Travis Kupper, Mor-Gran-Sou’s chief financial officer, says the audit requires that numerous employees are questioned about various parts of the cooperative business. They are also asked to provide input for fraud-detection purposes. The employee answers are then compiled and compared against each other for discrepancies. The board president is also asked these inquiry questions as well.

Another part of the financial audit, account balance confirmations are

sent to all of Mor-Gran-Sou’s banks where we have deposits, companies we have invested in, and companies that have allocated capital credits to us. “For each bank Mor-

Gran-Sou has funds deposited at, our auditors send a balance confirmation request,” Kupper says. “Once these confirmations are returned to the auditor, they are compared to our in-house books for accuracy. The auditors repeat this process for all institutions that Mor-Gran-Sou has a balance at or an investment in.”

Upon completion of the audit procedures, the final report is presented to Mor-Gran-Sou’s board of directors. The board has the final oversight of the audit. The board also visits with the auditor with no cooperative staff present. “This is another opportunity for the board to question the auditor, and for the auditor to present any concerns they may have,” Kupper concludes.

Remaining vigilant

So, with all these security measures in place, how did a neighboring cooperative become a target of a possible scam?

“Any business, and any person, can become a target,” Miller says.

“Mor-Gran-Sou has procedures and security measures in place to protect our cooperative and our member-owners. We hope something like this doesn’t happen here or at any other cooperative, but if it does, rest assured that we have the ability to detect and stop a scam, and ultimately protect our members,” she concludes. ■



Charlie Dunbar,
*Mor-Gran-Sou’s chief
information officer*

PHOTO BY CARMEN DEVNEY

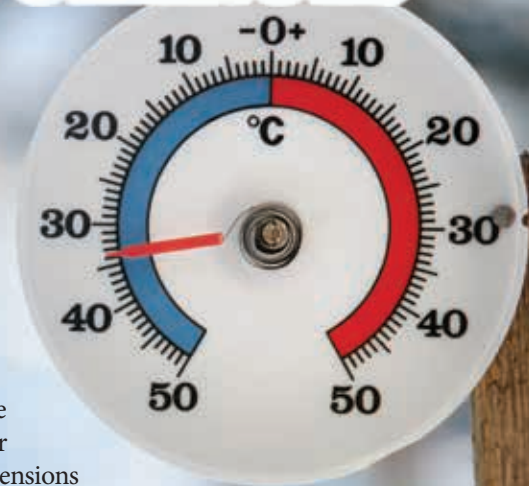
COLD WEATHER CHARGES

One thing that's certain about North Dakota weather is the uncertainty of it, except for the fact that at some point during the winter, it probably will get cold. Our rates are designed around a number of different factors, one of them being an average cost of installing our service. Over the years, we've seen requests for electric service coming in later and later in the construction season and in many years, throughout the winter season. Both equipment maintenance and labor costs are significantly higher during winter weather conditions.

We're not opposed to obliging those requests, however, depending on frost and weather conditions we will assess an additional contribution in aid of construction charge of \$5 per line foot to help offset our increased costs for late-season, cold-weather work. This charge will be made on a case-by-case basis for line extensions requested and built after Nov. 1 and prior to April 1.

Recognizing that everyone is really busy throughout the year, please remember we need sufficient advance notice (two to four weeks) most any time to schedule installing your electric service or service change, but especially just prior to Nov. 1 because everyone is trying to beat the weather.

If you have questions please call Randy Ressler, manager of operations, at 701-597-3301, 701-663-0297 or 800-750-8212. ■



MOR-GRAN-SOU ELECTRIC COOPERATIVE *board meeting highlights*



Meeting date: July 17, 2015

- Approved the June 25, 2015 regular Board meeting minutes
- Approved a work order inventory and a special equipment inventory
- Approved legal consultant contract renewal
- Discussed Basin Electric Power Cooperative power contract extension request
- Discussed Hebron interconnect line
- Heard Co-General Managers/CEOs update and reports from events attended
- Heard update on Innovative Energy Alliance, LLC (IEA)
- Heard updates on all entities of WDUS Holdings, LLC
- Reviewed and discussed senior staff department updates
- Reviewed Mor-Gran-Sou Safety Committee and regular safety meeting minutes
- Reviewed director's financial report for June
- Heard director reports and held discussion on meetings attended
- Held Executive Session

Upcoming regular board meeting dates:

Sept. 30 at Basin Electric Power Cooperative, Bismarck, at 9 a.m. CT

Oct. 28 at Prairie Learning Center, Raleigh, at 10:30 a.m. CT

Members are welcome to attend the board meetings at any time. Please contact Mor-Gran-Sou at cternes@morgransou.com, or call 1-800-750-8212 or 597-3301, to confirm the meeting date and location if you wish to attend.

To place an item on the agenda, please contact Board Chair Leland "Judge" Barth or Co-General Manager/Chief Executive Officer Donald Franklund at least one week in advance.

Members may obtain a copy of approved board minutes by completing and returning the "Request for Information or Data" form. You can find this form at www.morgransou.com or call the office for a copy.



MOR-GRAN-SOU ELECTRIC COOPERATIVE INC.

202 6th Ave. W. - PO Box 297
Flasher, ND 58535-0297
Phone: 701- 597-3301 Flasher
701- 663-0297 Mandan

Toll-free: 800-750-8212 Fax: 701-597-3915

Email us: info@morgransou.com
UNDERGROUND LINE LOCATES
800-795-0555 OR 811

OFFICERS AND DIRECTORS

Chair..... Leland "Judge" Barth
Vice Chair..... Casey Wells
Secretary-Treasurer..... Pam Geiger
Directors Mark Doll,
Vernard Frederick, Lance Froelich,
Chad Harrison, Bob J. Leingang,
Bonnie Tomac

MANAGEMENT

Co-General Mgr./CEO..... Chris Baumgartner
Co-General Mgr./CEO..... Donald A. Franklund

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