

2010

ANNUAL REPORT



People's Cooperative Services

Your Touchstone Energy Cooperative 

WORKING TOGETHER FOR OUR COOPERATIVE'S FUTURE



Celebrating **75**
1936-2011 *Years*

HIGHLINE *Hi-Lites*
PEOPLE'S COOPERATIVE SERVICES



Official Annual Meeting Notice

**People’s Cooperative Services Annual Meeting will be held
Thursday, April 14, 2011, at the
Rochester International Event Center at
7333 Airport Drive SW, Rochester, Minnesota.**

Registration begins at 6:00 p.m. with light refreshments served.
The one-hour business meeting will start promptly at 7:00 p.m.

The official order of business at the meeting is as follows:

Welcome and Introductions	Don Hillman, VP Planning & Support
Call to Order and Meeting Rules	Anthony Ebert, Board Chair
Pledge of Allegiance	Eugene Miller, Board Director
Invocation	John Nintemann, Board Director
National Anthem	Don Hillman, VP Planning & Support
Announcement of Quorum	Anthony Ebert, Board Chair
Approval of Annual Meeting Minutes	Kenneth Wohlers, Board Secretary/Treasurer
Financial Report	Kenneth Wohlers, Board Secretary/Treasurer
Board Chair Report.	Anthony Ebert, Board Chair
President/CEO Report.	Elaine J. Garry, President/CEO
Introduction of Director Candidates	Don Hillman, VP Planning & Support
Announcement of Director Election Results	Dan Berndt, Attorney
Unfinished Business	Anthony Ebert, Board Chair
New Business.	Anthony Ebert, Board Chair
Adjourn	Anthony Ebert, Board Chair
Questions from the Membership	Don Hillman, VP Planning & Support
Drawing for Prizes.	Don Hillman, VP Planning & Support

Cooperative Members Representing You

PEOPLE’S COOPERATIVE SERVICES BOARD OF DIRECTORS



Anthony Ebert
Rochester, MN
District 1
Board Chair

Sharon Hart
Stewartville, MN
District 7
Vice-Chair

Kenneth Wohlers
Hayfield, MN
District 2
Secretary/Treasurer

Robert Hoefs
Mazeppa, MN
District 3

L. Leo Lentz
Rochester, MN
District 6

Eugene Miller
Theilman, MN
District 4

John Nintemann
St. Charles, MN
District 5

Board Chair Report

Each year in our annual report we look back at the progress we made in the previous year and then look forward to what we will be planning in the coming year. In 2011 we get to look back at what we have accomplished in the last 75 years as we celebrate our 75th anniversary as a cooperative supplying electricity to its members. Many of us remember the “day the lights came on”. From a humble single light in a house to the amazing devices powered by electricity that we have in our homes today; I wonder what the next 75 years will bring.

As your Board we have been busy completing the final plans for the new headquarters building. We acquired the property, selected a general contractor and architectural firm and began the planning process for the new building. We formed a building committee, made up of board members and staff, to insure everyone’s input. The committee has settled on the final design. When completed, I believe you, our members, will be pleased with the new headquarters.

We had adequate revenue in 2010 and met all of our budget and financial goals. Our financial health is strong even with the increased capital investment in rebuilding our aging lines and electrical plant. We remain a very strong electrical cooperative able to supply your electrical needs well into the future.

As members we should commend the line crews for the excellent coverage in restoring power following the storms last fall. The high winds and rain caused outages across our territory mostly from downed trees on the power lines. These storms continue to point out where we need to concentrate our tree trimming efforts. The board agreed to spend extra money to hire additional crews to trim trees in the problem areas which will hopefully prevent future outages.

We continued to invest more dollars than normal in capital projects to upgrade our aging lines, both transmission and distribution. Most of this is funded by loans from Rural Utility Service (RUS) and your margins (capital credits). We plan to continue this higher level of capital investment for a few more years as we replace these lines and facilities.

The Cooperative lost 1,300 members to territory annexation by the City of Rochester in the Marion township area in 2010 and January 2011. This 8% decrease in members will result in a similar decrease in revenue. Although we believe we could continue to serve these areas more economically than RPU, they chose to complete the transfer.

Because we are a cooperative owned by its members with a Board of Directors elected by its members, it is important to continue to receive input

from as many members as we can. The Board continued district meetings initiated in 2008 and started a new member advisory committee this past year. Both groups are designed to help board members and staff make informed decisions regarding issues members are concerned with. These meetings that cover a host of topics have been well attended. We thank everyone who participated and hope that interest from you, our members, will continue to increase.

A look ahead

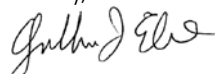
Electric rates continue to be a concern for the Board. We increased rates in April of 2010. This included an increase in both the energy charge and the facilities charge. The increase was driven mostly by wholesale power cost increases from our supplier, Dairyland Power Cooperative. Looking forward we expect to continue to see increasing wholesale power costs which will translate into retail costs as 60% of our expense is power costs. Wholesale costs have risen due to higher expenses for fuel and transportation, environmental legislated requirements, new and renewable generation, and other expenses. Most of the forecast models we look at show continued increases in the future. This increase in costs is similar for all electric utility suppliers, not just People’s Cooperative Services.

In 2011 the cooperative will complete a new rate study. We have an outside consulting firm reviewing all the costs, both energy and fixed, for each class of member. This is done to insure that one class of members is not subsidizing another and to assign the proper amounts to energy and facilities charges. This study was last completed in 2008. The demographics of our members continue to change and we may look at further defining some of our revenue and rate classes.

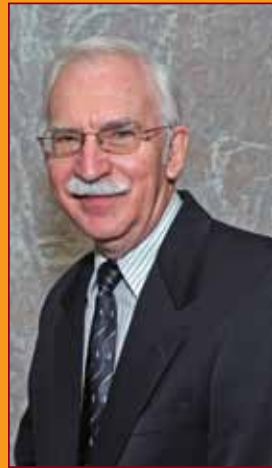
The electric utility industry, including electric cooperatives, is becoming more complex every year. 75 years ago we started as a basic cooperative supplying power to rural members with few outside influences. Today we are part of a complex network of generating, transmission, and distribution companies that cover the entire Midwest and parts of Canada. We are increasingly controlled by environmental and other regulations at the state and federal level. With all this change, your board, CEO, staff and employees continue to carry out our mission to provide reliable electricity to our members and community with superior customer service and innovative energy solutions at fair and reasonable prices.

On behalf of the Board I thank you for your continued support.

Sincerely,



Anthony Ebert
Board Chair



Anthony Ebert
Board Chair

Mission Statement

Our mission is to provide reliable electricity to our members and communities with superior customer service and innovative energy solutions at fair and reasonable prices.

CEO Report



Elaine J. Garry
President & CEO

507-288-4004
egarry@peoplesrec.com

The Seven Cooperative Principles

1. Voluntary and Open Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation Among Cooperatives
7. Concern for Community

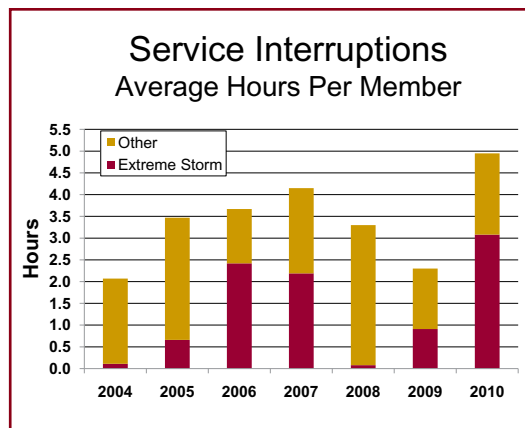
This year, your cooperative will celebrate its 75th anniversary as a cooperative providing electric service in southeastern Minnesota. I am proud to be associated with this organization. Not only do we conduct business following the seven cooperative principles, we are owned by the people we serve. There are no outside investors that have an interest in financial gain. Instead, our owners are you --- our members --- whose interests include the desire for reliable electric service at fair and reasonable prices, superior customer service and innovative solutions for your energy needs.

Purchases and Sales of Electricity

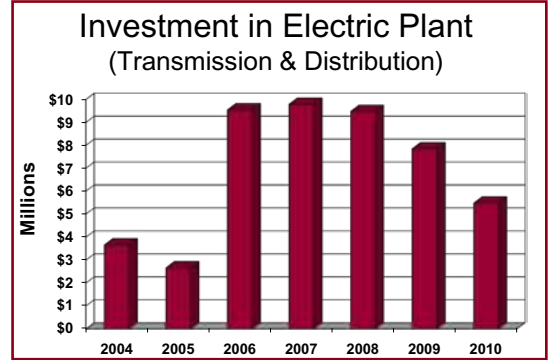
In 2010, our energy purchases totaled 250 million kilowatt hours, just ½% more than our purchases in 2009. We paid \$16.8 million for this energy. We sold 233 million kilowatt hours, 1½% less than the previous year and received \$30 million in revenue for these sales. Our energy purchases and sales are slowing for a couple reasons. We have recently lost over 1,300 members to Rochester Public Utilities (RPU) and our members are making a concerted effort to conserve energy. One way we measure this is through the increase in number of incentives and rebates that are distributed.

Electric Service Reliability

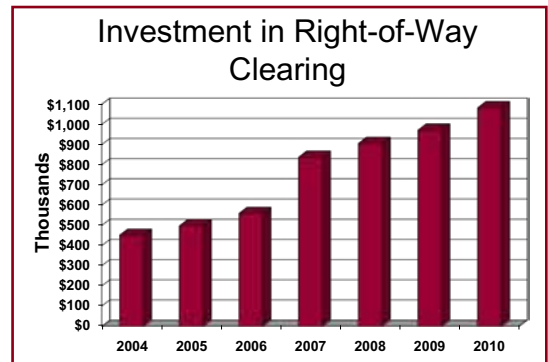
This past year we had several storms involving high winds, rain, sleet and flooding which caused a number of significant outages and increased our average hours of service outages per member.



During 2010, we invested \$5.5 million in new construction and rebuilding our electric plant and invested \$4.2 million in operation and maintenance activities.



We constructed four miles of transmission line and 45 miles of distribution line. We completed upgrades and major maintenance projects in 10 of our 24 substations. We installed 152 new services and completed 1,567 job orders and 545 work orders. This work included connecting 112 new services and upgrading or modifying an additional 230 services. We added fuses on 24 miles of line. We replaced insulators on 3/4 miles of transmission line. We inspected and repaired 35 oil circuit reclosers, inspected and treated 4,555 poles and replaced numerous poles due to decay or damage. We cleared trees and brush in transmission and distribution lines served by the Zumbro substation and portions of the Marion and West Albany substations and did "hot spot" clearing at a number of significant problem areas.



Marketing and Member Services

Our rebate and incentive programs offer members the opportunity to save money as they make transitions to using more energy-efficient appliances and make home improvements. We paid 778 members over \$28,000 for purchasing Energy Star appliances. We provided \$26,000 in incentives to members who installed a high-efficient air conditioning system or were willing to put their air conditioning under load control, another \$26,000 for people who elected to put their electric water heater

under control and \$44,000 to members who have installed air-source and ground-source heat pumps. Having the ability to control our electric load helps us reduce our peaks when energy and demand prices are at their highest.

Legislative and Other Cost Impacts

One of the Board's commitments to you, our members, is to ensure that our cooperative remains financially sound. Over the past several years, we have been facing significant increases in power costs from Dairyland Power Cooperative (DPC). This year, our cost of power will increase by slightly more than 4.5%, yet less than the 7.5% increase in 2009. This is due to a number of issues including the increases in the cost of rail transportation to deliver coal to the generating plants, participation in the MISO market, costs associated with renewable and environmental mandates, legal costs associated with a Sierra Club environmental lawsuit and overall lower energy sales.

DPC reports that the state mandate requiring that 25% of our energy be provided through renewable sources by 2025 has caused a 7% increase in the cost of the power we provide to your home. Additionally, DPC's costs to meet the federal environmental mandates have increased the cost of power by another 11%.

And, finally, we have a state mandate called the Conservation Improvement Plan which requires that we reduce the amount of energy you use by 1½% per year. We understand the reason for this law, but struggle with the concept as any normal business would have trouble staying financially sound if their goal was to reduce sales!

All of these mandates were implemented for the right reason --- to reduce the need for new generation of energy and to maintain a clean environment. As people who care about our environment and as a utility, we support these regulations but, we need you to understand that they don't come without a cost.

Building Project

We continued to work on our new headquarters building project during 2010. We do plan to begin construction in the spring of 2011 and expect to move to the new location in early 2012. Our cooperative does have two pieces of property for sale --- our current building site and some extra land near our new location. If you are aware of companies looking to expand or start-up, please make them aware of these locations.

Human Resources

We also had two employees, Marlin Keck and Marlys Miller, retire. Marlin was a 34-year line worker. Marlys started in 1988 and provided you and this cooperative with a lot of years of dedicated service in writing our newsletter each month.

Operation Round Up® and Scholarships

One of the Cooperative Principles is Concern for Community. Our Operation Round Up® Program is a clear statement that our members care about their neighbors. Over 12,000 members participate in the Operation Round Up® Program by rounding up their bill each month to the next highest dollar. Because of this generosity, \$93,000 has been awarded to 50 organizations within our communities in the form of grants.

Each year we use unclaimed capital credits to fund scholarships for graduating seniors throughout our service area. In 2010, we distributed \$27,000 to students who elected to continue their education. In addition, each year we award two scholarships to young people within our service area who have decided to go to school to become a line worker.

Capital Credits

In 2010 we returned \$740,000 in capital credits to members and \$7.2 million was returned over the past ten years. This credit is allocated based upon the amount of energy you purchased.

Operating Improvements

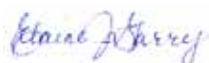
In an effort to be able to respond to your questions, concerns and requests for service, we have made a number of changes in our operations. We have upgraded our automated vehicle locating system, electronically stored over 20,000 member files, implemented a geographical information system (GIS) based mapping system and have made significant progress conducting a physical inventory of our entire electrical system plant.

A Look Ahead

We are still feeling the pinch of the slow economic times. At the same time, we have the need to continue fairly aggressive investments in our electric plant in order to provide the reliability you expect and need. We continue to look for ways to be more efficient and effective in our methods of providing services to you. We value your feedback. Please call, email or stop in if you would like to share your thoughts.

Thank you

At the end of what turned out to be a very good year for the cooperative, this seems like an appropriate time and place to say thank you to all of my co-workers and the Board of Directors. Without the support, hard work and dedication of these people, we could not have achieved all we did in 2010. And, thanks to you, our members, for your support! We look forward to seeing you at the Annual Meeting.



Elaine J. Garry
President and CEO

Dairyland Director Report



Eugene J. Miller
Dairyland Director

People's Cooperative Services is one of 25 member distribution cooperatives that receive all of our power from Dairyland Power Cooperative, which is headquartered in La Crosse, Wis. The Dairyland system serves over 255,000 meters across our region providing the benefits of electricity to nearly 600,000 consumers. I've been a director of People's Cooperative Services for 26 years and have served as your representative on the Dairyland Power Cooperative Board for over 11 years.

Providing "value" to Dairyland's member cooperatives is the focus of our wholesale power supplier. As outlined at Dairyland's last annual meeting, many steps have been taken, both big and small, to ensure Dairyland reliably meets the energy needs of its members and enhances the value of its services.

A very significant step was joining the Midwest ISO (Independent System Operator) on June 1, 2010. At that time, Dairyland integrated its 3,144-mile transmission system into the Midwest ISO, gaining access to one of the largest markets in the world for buying and selling power.

Historically, Dairyland produced power from its own generating facilities, or purchased energy from a neighboring utility, to directly provide energy to People's Cooperative Services and its other members. By joining the Midwest ISO, Dairyland's power plant operations are now impacted by the energy consumption and available supply in a much larger region. While owning generating capacity protects Dairyland's members from potentially volatile energy prices, day-to-day operations have been impacted since Dairyland facilities are now scheduled as part of the regional energy market.

During times of low energy demand, this new market may not require all generators to produce power if others in the "pool" can better meet the regional needs at that time. Therefore, Dairyland may not need to operate its facilities in the same ways as in the past.

Power suppliers like Dairyland are facing legislative uncertainty regarding climate change, growing renewable energy standards, tougher environmental regulations and challenging energy efficiency mandates. All of these put upward pressure on Dairyland's rates.

While renewable energy requirements vary in the states Dairyland serves, Dairyland is slightly ahead of current mandates and continues to expand its power supply with prudent investments in renewable energy resources. Dairyland's renewable resources include biomass, hydro, wind, landfill gas, manure digesters and solar.

In 2010, more than 7 percent of retail sales came from renewable energy resources. That number has been growing and it is expected to be about 12 percent in 2011. The largest new renewable resource is a 40 MW facility using biomass as its fuel, which came online in fall 2010. DTE Energy Services converted the E.J. Stoneman Station (Cassville, Wis.) from a coal-fired facility to a biomass facility that uses wood waste to create energy. Dairyland has a contract with DTE for the output of the facility for the next 10 years, with provisions, for longer.

Dairyland continues to develop additional renewable energy projects, enhance landfill gas operations and work with farmers to increase the number of manure digesters across the system. Dairyland's member cooperatives have experienced a considerable increase in consumer-owned distributed renewable generation installations in the past year, thanks to innovative rate tariffs for small renewable installations. Dairyland works with its member cooperatives on policies that help enable the development of renewable energy projects including small-scale wind turbines and photovoltaic systems (solar).

Dairyland is also a leader in the National Renewables Cooperative Organization, a cooperative to develop renewable resources for all electric cooperatives across the nation.

There is still a great deal of uncertainty as to how climate change or carbon legislation could impact the operation of power plants and the transmission system, and the potential costs for consumers. Dairyland is in the midst of a \$400 million plan to position itself to meet new state and federal environmental regulations.

Continued. . . Dairyland Director Report

Dairyland is working to mitigate the impact of these factors as well as the additional financial pressures from new renewable energy resources, health care insurance and the unknown, but potential, costs of climate change/carbon legislation.

Dairyland's year-end results were very good with margins that were enhanced by the hot summer and strong market sales. These positive results permitted a reduction of future costs by expensing \$7.4 million of additional costs for the LACBWR Dry Cask Storage Project in 2010. For 2010 margins ended up at \$13.2 million, as compared to \$12.2 million in 2009.

In addition, the Dairyland Board has taken a first step in a Strategic Financial Plan to enhance Dairyland's financial strength following the recent large investments made in environmental controls and Weston 4. Also to improve Dairyland's financial health, the Plan prepares Dairyland to access market-based financing through the adoption of a bond indenture by mid-2011 to provide funding flexibility and availability, when or if RUS (Rural Utilities Service) financing is not available.

The cost of fuel to operate Dairyland's power plants—mainly coal—and its transportation (rail and barge), accounts for Dairyland's largest annual expense. Dairyland's plants used about 2.9 million tons of coal in 2010, including our share of the Weston 4 plant.

Despite increasing costs in many areas of operations, it is essential that Dairyland plan for the future to ensure members have a long-term, reliable and affordable electricity supply. Dairyland's 30 percent ownership of the 531 MW Weston 4 power plant near Wausau, Wis., will help meet the long-term energy needs of Dairyland's members.

Dairyland continues to prioritize construction projects to balance progress with affordability, and has delayed some work to minimize the impact of rate increases during this period of economic challenge for many co-op members. To help deal with

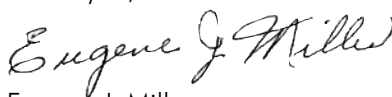
rising costs, new energy-efficiency programs are being created to encourage wise energy use and help reduce members' monthly bills.

Keeping in mind the goal to provide value to Dairyland's members and maintain strength and stability in their investment, Dairyland's Board of Directors approved a wholesale rate increase of 4.5 percent over the 2010 rate. The largest contributing factors are a full year of Midwest ISO operations and costs, increasing rail transportation rates at Weston 4, the increased cost of renewable energy from the Stoneman biomass plant and costs associated with recent environmental improvements at power plants. Expansions of Dairyland's renewable resources, the transmission to deliver the renewable energy, environmental upgrades at power plants, as well as investments in new energy efficiency and conservation programs, are all good for the environment and important components in helping Dairyland meet future regulatory requirements. However, each of these elements also increases Dairyland's overall cost to provide members with electricity.

The Board of Directors and Dairyland management recognize the financial challenges some cooperative members are facing, and takes any rate increase very seriously. As your representative on the Dairyland Board, I assure you that Dairyland staff work hard to reduce costs where possible to provide all of us the best value possible for their services. They will continue to work closely with People's Cooperative Services and the other member cooperatives in the Dairyland system to carefully evaluate options and provide value to all of us while meeting our future energy needs.

If you would like to learn more about Dairyland Power, the cooperative's website at www.dairynet.com is an excellent resource. Here you will find a wealth of information about Dairyland's generating facilities, transmission system, renewable energy sources, project updates, energy efficiency, cooperative history, career opportunities and more.

Thank you,



Eugene J. Miller
Dairyland Director

Are you interested in attending the Dairyland Power Cooperative Annual Meeting?

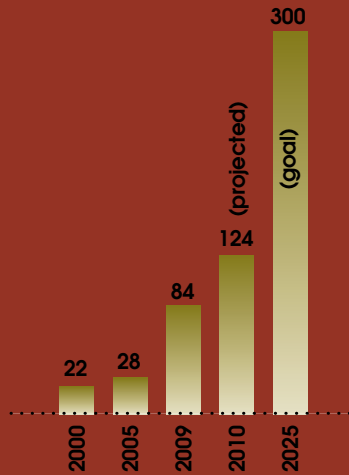


Check the box on your annual meeting registration form (enclosed with your 2011 election ballot) or call the PCS office to be entered into the drawing. Seating is limited to 45. Winners will be notified by mail.



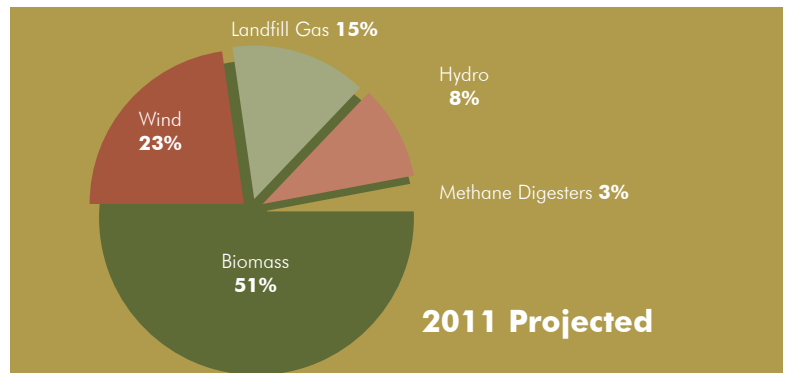
Dairyland Power Cooperative – Our Wholesale Power Supplier

Growing Renewable Energy Capacity



Dairyland's Renewable Energy Resources

By generating renewable forms of energy for its member cooperatives, Dairyland can meet electrical demand and maintain our commitment to protecting the environment.



People's Cooperative Services is one of 25 member distribution cooperatives that receive all of its power from Dairyland Power Cooperative which is headquartered in La Crosse, Wis. The Dairyland system serves more than 255,000 meters across our region providing the benefits of electricity to nearly 600,000 consumers.

Dairyland was formed in December 1941. Today, the cooperative's generating resources include coal, natural gas, hydro, wind, landfill gas and animal waste. Dairyland delivers electricity via more than 3,100 miles of transmission lines and nearly 300 substations located throughout the system's 44,500 square mile service area.

Dairyland's service area encompasses 62 counties in four states (Wisconsin, Minnesota, Iowa and Illinois). Dairyland, a Touchstone Energy Cooperative, has provided low-cost, reliable electrical energy and related services for nearly 69 years.

Dairyland Power Cooperative Annual Meeting

People's Cooperative Services will be traveling to LaCrosse, Wisconsin on June 8 to participate in Dairyland's annual meeting. A chartered bus will leave the cooperative office around 8:00 a.m. and return around 5:00 p.m. Limited seating is available to members interested in serving as a PCS delegate at the meeting. In addition to the meeting, there will

be educational displays focusing on Dairyland's services, major projects, energy conservation projects and renewable energy technologies. Lunch and an ice cream social are included.



73rd Annual Meeting Minutes

The 73rd Annual Meeting of the stockholders (hereinafter referred to as “members”) of People’s Cooperative Services was held at the Rochester International Event Center, Rochester, Minnesota on April 14, 2010, pursuant to notice mailed to each and every member of the Cooperative at least fifteen (15) days prior to the holding of the meeting.

Donald Hillman, Member and Customer Service Manager, acted as master of ceremony. He welcomed the group and reminded everyone that the registration gift of \$10 credit on the electric bill would automatically be applied to the May bill.

According to Article II, Section 5 of the By-Laws of the Cooperative, it was announced that there was a sufficient number of members present (444 registered members) to constitute a quorum and to transact any pertinent business that may come before the membership. Therefore, the meeting was officially called to order by Anthony Ebert, Chair of the Board of Directors, at 7:04 p.m. A motion to accept the agenda was received along with a second; the motion carried.

Cooperative Director John Nintemann gave the invocation. A video of the National Anthem was played and the Pledge of Allegiance to the Flag was recited.

Guests were introduced.

Kenneth Wohlers, secretary/treasurer of the Board of Directors, read the Notice of Annual Meeting together with proof of the mailing to all members. The minutes of the Annual Meeting of May 2, 2009, appeared in the Annual Report issue of the Cooperative’s newsletter, Highline Hi-Lites. There was a request from the floor that the questions asked by members at the Annual Meeting and the response given be included in the meeting minutes. Anthony Ebert, chair, indicated that the Board would review and consider this request during the next Board meeting. A motion was made and seconded to dispense with the reading of the minutes and to approve these minutes as they appeared in the annual report. The motion passed.

Kenneth Wohlers, secretary/treasurer, gave the financial report of the Cooperative. The annual report of the *Highline Hi-Lites* contained the results of the Cooperative’s annual audit. A motion was made and seconded to approve the financial report as read. The motion passed.

The Board of Directors, candidates running for election to the Board of Directors and the Nominating/Credentials Committee were introduced.

Anthony Ebert, chair, discussed the history of how Rural Electric Cooperatives were organized and formed, the

current assets of the Cooperative, the boards responsibility in approving rates that meet budget requirements, energy conservation requirements and the Cooperatives efforts to meet them, rate increases, fixed cost, the facility charge, the energy charge, the need for members to take charge of their electric bill and plans for a new headquarters building for the Cooperative.

President/CEO Elaine Garry reviewed the Cooperatives mission, vision and strategic goals. Additionally, she discussed the incentive programs offered by the Cooperative that encourage energy conservation, the investment in our electrical plant and tree clearing and the results of these investments, rate increases, the Westwood Renewables solar project, the Smart Grid tools that the Cooperative will be implementing to provide members with more information regarding energy use, the Rural Electric Safety Accreditation Program, the agreement with Rochester Public Utilities (RPU) to transfer Cooperative members who live within the city limits to RPU and recent meetings with City officials to discuss the economic impact of this agreement, Cap and Trade/Carbon legislation, the “Our Energy, Our Future” campaign and the plans for a new headquarters building for the Cooperative.

Director Gene Miller was recognized for 25 year of service on the Board of Directors. Mr. Miller has also served on the Dairyland Board of Directors for 11 years. Jeff Thompson, Cooperative employee, was recognized as having reached a milestone in his career with the Cooperative. Also recognized were Cooperative retirees Sandra Erickson, Marlin Keck, Linda Stennes and Phi Swenson.

It was announced that Adam Yotter is the winner of the 2010 NRECA Youth Tour to Washington this June.

Dan Berndt, attorney with the Dunlap & Seeger Law Firm, who oversaw the counting of the ballots, was called upon to announce the results of the director election. Elected to the Board of Directors for three-year terms were Anthony Ebert – District 1, and L. Leo Lentz - District 6.

As the business meeting concluded, Mr. Ebert asked for any old or unfinished business. There was none. He asked for new business. There was none.

Mr. Ebert opened the meeting to questions.

The 73rd Annual Meeting of People’s Cooperative Services was adjourned at 8:34 p.m.

Prizes, which were credits on the member’s electric bill, were given to member’s present at the meeting.

Board Candidates

District 3 Board Candidates

Robert (Bob) Hoefs, Incumbent
Mazeppa, MN
Cooperative member: 44 years



Bob is retired after a 30-year career as a John Deere dealer. He also serves on the Mazeppa Cemetery Board and an advisory committee for the Zumbrotta-Mazeppa School vocational house construction. Bob is an active member at St. John's Lutheran Church.

What qualifications do you possess that make you feel you will be a good director?

I have served on PCS's board since 2002 and have completed all of the course work to be recognized as a Credentialed Cooperative Director by the National Rural Electric Cooperative Association. During my term on the board I have served as secretary/treasurer for two years. I am committed to the cooperative community and know I can continue to make a difference.

What would be your long-range goal for the Cooperative?

My priorities for the future of the cooperative include working to ensure that the cooperative remains financially strong, protecting the cooperatives member base from loss to Rochester Public Utilities, accomplishing its aggressive construction work plan and working with Dairyland Power Cooperative to stabilize the wholesale power costs.

John Carson
Oronoco, MN

Cooperative member: 12 years



John is an automotive technical writer and ASE certified master automotive service technician. He has owned a small auto repair business in Oronoco for 23 years. He has also been involved with the National Institute of Automotive Service Excellence, Minnesota United Snowmobilers Association, Zumbro Valley Snowmobile Association, Minnesota 4-Wheel Drive Association and the Harley Owners Group.

What qualifications do you possess that make you feel you will be a good director?

I enjoy working with people and I am a good listener. I enjoy the challenge of problem solving and listening to all sides of a discussion before making decisions. I take pride in finding the

best possible solution to issues through non-biased research.

What would be a priority goal your first term as a director?

To learn, learn, and learn some more! To understand the cooperatives goals and strategies, the environmental challenges we face, the customer interaction and problem solving processes, the relationship with Dairyland Power, as well as completing the training courses that are available.

What would be your long-range goal for the Cooperative?

To maintain a great working relationship with my district, as well as all members of the Board and cooperative. To meet the challenges and issues at hand and resolve them in the best combined interests of the cooperative and its members. To make responsible choices when dealing with budget issues and expenditures.

District 5 Board Candidates

John Nintemann, Incumbent
St. Charles, MN
Cooperative member: 50 years



John has farmed in Winona County since 1955 and currently rents out his land. He is a member of the University of Minnesota Alumni Association, a past member of the St. Charles school board, past director of Greenway Co-op, past Winona County Fair board member and past member of the Winona County Farm Bureau. John is an active member of the St. Charles Borromeo Church where he serves as a lector and has been a 4-H leader for over 40 years.

What qualifications do you possess that make you feel you will be a good director?

I have served on PCS's board for 15 years and have completed all of the course work to be recognized as a Credentialed Cooperative Director by the National Rural Electric Cooperative Association.

What would be your long-range goal for the Cooperative?

To develop commercial industrial businesses at the Oronoco Crossings and Elgin Industrial Park development sites. Develop a solar energy project in Olmsted County and provide technical support to our members interested in developing wind energy.

Board Candidates

Dale Fleming

Eyota, MN

Cooperative member: 24 years

Dale is a local licensed general contractor and is the owner and current CEO/President of Fleming Builders & Remodelers. He has also served on two church boards since 1989. Dale is a past partner of Fleming Bros Construction, a member of the Rochester Builders Exchange, a licensed certified LEED Renovator, a Board member of the Rochester and Winona SDA Churches and a lay-preacher.



What qualifications do you possess that make you feel you will be a good director?

I have a common sense approach to business ethics, served many years on different boards and owned a construction business for many years.

What would be a priority goal your first term as a director?

To get acquainted with board members, the board's process, the facility in general and be part of the new facility construction in its development and completion.

What would be your long-range goal for the Cooperative?

To keep electrical service affordable for all patrons and explore avenues for conservation of electrical usage.

Jerome (Jerry) Wooner

Eyota, MN

Cooperative member: 12 years

Jerry is a sergeant in the Adult Detention Center at the Olmsted County Sheriff's Office. He has also been an EMT for 16 years with the Eyota Volunteer Ambulance, served as a deacon at the Plainview Church of Christ for nine years and is currently on the building committee and has been the vice-president of Viola Gopher Count Committee for four years



What qualifications do you possess that make you feel you will be a good director?

I have a background in the electric and electronic fields. As a deacon on the church board I have dealt with budget issues. My service in the Marine Corps and the sheriff's office has developed my leadership skills.

What would be a priority goal your first term as a director?

To ensure that the new building project be done on time and within budget. I would also work to ensure that the budget set forth is realistic, achievable and met. I will work on the budget without raising rates to the members.

What would be your long range goal for the Cooperative?

To seek out more affordable renewable energy sources and ensure electric prices stay affordable to all in the People's Cooperative service area. I would work to strengthen the relationships that we already have and to seek out new relationships in the industry that would benefit the Cooperative.

District 7 Board Candidates

Sharon Hart, Incumbent

Stewartville, MN

Cooperative member: 48 years

Sharon is retired after working many years as a secretary, office manager and customer service representative. She currently lives on the family farm located east of Stewartville. Sharon serves on the Pleasant Grove Planning and Zoning Board, is a member of the Stewartville Historical Society and is an active member of the St. John's Lutheran church in Stewartville.



What qualifications do you possess that make you feel you will be a good director?

I have served on PCS's board for over 23 years and currently serve as vice-chair. I have completed all of the course work to be recognized as a Credentialed Cooperative Director by the National Rural Electric Cooperative Association and have also served on a state-wide committee regarding governance issues for cooperatives.

What would be your long-range goal for the Cooperative?

To work with fellow board members and cooperative staff to achieve the strategies and goals outlined in our Strategic Plan including improved reliability and quality of service, fiscal responsibilities, community involvement and safety for our employees. I will continue to work with our Member Advisory Committee and listen to their concerns and ideas. I will work to continue our good working relationship with

continued on page 12. . .

Board Candidates

continued from page 11 . . .

Dairyland Cooperative to maintain reasonable power costs and stay abreast of legislative and environmental issues related to power costs and supply. I see potential growth lying in our area communities and we need to continue our work in the area of economic development with these communities. I will continue working with the staff and the Building Committee to see the completion of our new headquarters building.

Jeff Orth

Rochester, Minnesota

Cooperative member: 26 years

Jeff is the current president of License Center Rochester which he started in 1981 and has farmed southwest of Rochester since 1985. He is currently the Rochester Township Supervisor, been a Township Board member since the 1990's and served during the time the Township constructed a new township hall. Jeff is a Board member for the Minnesota Deputy Registrar's Association and is currently the Legislative Committee Chair and past president.



What qualifications do you possess that make you feel you will be a good director?

I graduated from St. Olaf College with a degree in Economics and Political Science.

I have worked in both public and private accounting. I expanded the license service business through acquisitions in the Metro Minnesota area and currently operate several additional locations. I started farming in 1985 and expanded the farming to include five different farming locations for both grain and livestock production.

What would be a priority goal your first term as a director?

To "learn" the business. To determine how we compare to similar cooperatives in regard to size and volume to ensure we are efficient and have a focus on long term financial stability.

What would be your long-range goal for the Cooperative?

I will work to continue to deliver services to cooperative members efficiently in a cost effective user friendly manner. I would like to see the Cooperative be a leader in the industry financially such that employees believe their positions are stable. I would like to see discussion or agenda items at Director meetings go beyond simply "what is" but begin a process of asking "what if?" In the long term, the goal would be to see People's Cooperative be known as an industry leader at all levels. Working to develop a leadership position where other cooperatives would turn to us as an example of excellence—essentially being the best at what we do.

Looking for your annual meeting registration card?

The annual meeting registration is being mailed with your election ballot. The ballot should arrive in the mail by the end of March.

Be sure to bring the card to the annual meeting on April 14, 2011. The registration card serves as admission to the meeting and registration for the prize drawings. Members attending the meeting will receive a \$10 credit on their bill.

Annual Meeting

Do you need a special accommodation?

If you have special needs of accessibility, sign language, translation or other assistance, we will do our very best to accommodate you if you make your request by April 8, 2011. Please contact the Cooperative office at (507) 288-4004 or email twhitcome@peoplesrec.com

ACRE - Become a Grassroots Advocate

Be part of the effort to secure a strong future for the nation's rural electric cooperatives and the rural citizens and communities which they serve.

Rural electric cooperatives have organized an opportunity through which co-op member-owners can express their support for favorable policies and the people who determine the direction of our nation's energy industries.

In past years, many of our members have joined ACRE, the Action Committee for Rural Electrification. As co-op owners for political action, you help raise the voice of rural Americans. We thank you for your past support. We hope that you will consider continuing lending your support to this important effort.

Making a difference at the federal level:

ACRE provides support for members of the U.S. House of Representatives and U.S. Senate who have demonstrated they are friends of rural electrification. ACRE is a non-partisan effort. ACRE is also an important tool enhancing the legislative effectiveness of its affiliate organization, the National Rural Electric Cooperative Association (NRECA). ACRE demonstrates that rural electric cooperatives have an impressive amount of grassroots support. Another clear message that comes through our NRECA legislative advocacy is that cooperative leadership is directly accountable to its local co-op membership. This strong relationship is not lost on our Congressional leaders. Their constituents are our co-op members. They understand the "power of human connections" that is embodied in the way rural electric cooperatives operate their businesses.

The \$25 ACRE membership can be paid one-time or paid each month with \$2.08 added to your electric bill.

Important Issues Remain on Political Agendas, such as:

- Climate Change
- Cap and Trade
- Green Jobs
- Conservation
- Renewable Energy Special Rates and Carve Outs
- Air Quality

If we don't work together to bring our concerns and suggestions forward, who will speak for us?

Consider joining the ACRE efforts! Please think about what your modest contribution can mean to the long-term reliability and affordability of electricity!



ACRE® Sign Up Form

Name _____
Address _____
City/State/Zip _____
Telephone _____
Email _____
Employer _____
Occupation _____
Member Account Number _____
Member Signature _____
Date: _____

Yes, I recognize the stakes are high.
I want to join the effort!

Please select:

- I have enclosed a one-time annual contribution of \$25 for membership in ACRE - Co-op Owners for Political Action.
- OR
- Please apply \$2.08 to my monthly electric bill for my ACRE membership.

(Return this form to People's Cooperative Services, P.O. Box 339, Rochester, MN 55903-0339)

Clip & Return 

New Headquarters Building

At the May 24, 2010 board meeting your cooperative's board of directors made the decision to move forward with building a new headquarters building for PCS. The board spent many hours contemplating this decision and it was one that has not been taken lightly. The board and management team have spent nearly two years researching and devising a plan to address the concerns with our current building. I would like to share with you the details that led us to this decision.

History of Headquarters Buildings

Despite one remodeling project in 1997, the present facility has not changed in size since it was built in 1971 --- 40 years ago. The previous headquarters building on North Broadway in Rochester was in service for only 22 years, 1949 to 1971, with one remodeling project which included an addition in 1959, 10 years following the original construction.

In 1971 when we moved into the present headquarters building the Cooperative had 7,763 members; today we have 12,378 members and 14,420 electric services. Quite frankly, after 40 years we have simply outgrown the facility. Our vehicles and line equipment are larger today, our computer and electrical needs far exceed the building's design and we have numerous security concerns.

Facility Study

In the fall of 2008 we began looking at options to accommodate issues we were experiencing with our current facility. In the office area we are lacking office space, our heating/cooling system needs updating, carpeting and other general repair work is needed and our electrical system is inadequate due to computer servers being added for our growing information, outage management and billing systems. Rather than just address immediate needs, we expanded our study to identify needs in the next five years and beyond. The present emergency generator can barely handle our existing computer system let alone heating/cooling and lighting needs. The warehouse and maintenance facility is in need of updating.

The first option we explored was to renovate and expand the existing facility. Upon closer examination this option became less feasible. The costs to bring the existing facility to the level of current needs nearly equaled a new facility and we could only achieve 70% of the efficiency a new building structure would provide.

During the process of examining our current location we discovered that future street plans by the City of Rochester included the construction of a new street - 40th Ave. SE. This street, when completed, would divide our property and separate our storage yard from our headquarters building. This would create a significant safety concern for our employees and people driving on the street. The street would also hinder further expansion of the facility by dramatically reducing the available land for an addition. Renovation and expansion costs would be increased significantly due to street and public infrastructure assessments. Additionally, we realized that by the end of 2010 when the transfer of our Marvale members to RPU was complete, our headquarters building would be virtually surrounded by RPU. This means that we will be maintaining electric lines and plant that will be used to only serve our existing headquarters and no other members.

Renovation of the existing facility, including road cost assessments were estimated to cost \$6 to 7 million. A new facility was estimated to cost \$9 million. Upon sale of the current headquarters facility, the cost for a new facility is expected to be \$6 million. This made the cost for renovating virtually equal to building new. Potential property sales of excess land at the Oronoco site could return \$1 to 3 million, depending on the type of buyer and amount of land needed, further reducing the bottom line of a new facility.

Exploring Options

With the renovation and expansion of the existing facility becoming less feasible we looked at possible alternative site solutions. We began by establishing a set of criteria that would need to be met in order to be considered a suitable site. Some of the criteria determined to be most important included:

1. Access to transportation – We needed roads that allow us to quickly reach members throughout our service area.
2. Communications availability – Of utmost importance in selecting a site was the necessity of high speed Internet service and quality telephone service.
3. Service territory issues – Avoiding areas that are subject to loss of territory through annexation from cities that own and operate an electric utility.
4. Land availability and costs.
5. Property taxes, fees and assessments.



Rendering of new People's Cooperative Services building.

Continued. . . New Headquarters Building

6. Sewer and water availability - If water were not available a well would need to be drilled and a suitable storage tank and high pressure pump would need to be added for fire protection. This alone was estimated to increase construction costs by about \$250,000. Sewer in most cases was easily addressed with sufficient land available for a drain field.
7. Member density and potential growth – We wanted to build a facility that will help us better serve our members’ needs; a facility that is accessible to the greatest concentration of our members. Finding an area that offers growth opportunity for commercial and industrial businesses is equally important to help us improve our load factor and increase our member base.
8. Security and safety – We wanted to be able to provide a safe and secure site that protected our property, our computer software and hardware, our members and the general public.

Site Selection

It was important that we avoided areas that are subject to loss of territory through annexation from cities that own and operate an electric utility. The Electric Service Territory laws that were established by the Minnesota State Legislature in 1974 have a specific provision that allows municipalities that own and operate an electric utility to acquire, upon annexation, the service territory of another utility. Within our entire assigned service area, the only communities that we could potentially lose service territory to are Rochester, Kasson, St. Charles and Lake City. All other areas can only be lost through mutual agreement with another utility.

With criteria for a site established, we reviewed approximately 25 properties in or near six different communities (including our existing facility). These communities included Stewartville, Byron, Eyota, Elgin, Rochester and Oronoco. Following our selection methodology, several sites near Oronoco scored the highest and the Oronoco site was selected.

The time is right to make an investment in a new headquarters --- land costs, interest rates and construction costs are at an all time low. It has been estimated that if we were to wait five years, construction and land costs are likely to increase by a minimum of 20% and interest rates will be up by at least 1 ½%. These costs alone would increase total costs by 50% or well over \$4.4 million if we were to wait.

This chart shows the projected cost per month based on individual monthly energy use.

Estimated Monthly Costs for Building a New Facility Now

400 kWh	1,000 kWh	2,000 kWh
\$.50/mo.	\$1.25/mo.	\$2.50/mo.

Estimated Monthly Costs for waiting 5 Years

400 kWh	1,000 kWh	2,000 kWh
\$.71/mo.	\$1.79/mo.	\$3.58/mo.

If you have questions on our project, I welcome your calls, personal visits and emails. We will continue to keep you informed of the progress on the project through our monthly newsletter and on our website www.peoplesrec.com.

Respectfully,



Elaine J. Garry
President & C.E.O

How will a new headquarters affect you?

- It will help us better serve your future needs, while continuing to meet new industry standards.
- Today, PCS has access to low interest federal loans from the Rural Utilities Service to finance the construction and amortize the cost over 33 years of service.
- Because of the economy, the current cost of construction materials and contractor pricing is very competitive and we should realize a savings by building now.
- The efficiencies gained from a new headquarters will allow us to incorporate new technologies to reduce future operating costs.
- A new headquarters will have minimal impact on your electric rates. The construction budget has been established at \$9 million and financed over a 33-year period at interest rates estimated at less than 5 percent.
- A new headquarters will have lower operating costs for heating/cooling and eliminate the costly maintenance of repairing our current building.



STATEMENT OF OPERATIONS

Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES	\$ 29,232,172	\$ 29,298,503
OPERATING EXPENSES		
Cost of Power	\$ 16,839,638	\$ 16,698,619
Distribution Expense - Operations	\$ 1,691,168	\$ 1,625,909
Distribution Expense - Maintenance	\$ 2,542,730	\$ 2,506,127
Consumer Accounts Expense	\$ 1,132,313	\$ 1,130,582
Sales Expense	\$ 141,110	\$ 117,609
Administrative and General Expense	\$ 1,559,705	\$ 1,663,740
Depreciation Expense	\$ 2,730,836	\$ 2,457,904
Other Deduction	<u>\$ 18,377</u>	<u>\$ 9,968</u>
Total Operating Expenses	<u>\$ 26,655,877</u>	<u>\$ 26,210,458</u>
OPERATING MARGINS BEFORE FIXED CHARGES	\$ 2,576,295	\$ 3,088,045
INTEREST ON LONG-TERM DEBT	<u>\$ 2,081,422</u>	<u>\$ 1,917,826</u>
OPERATING MARGINS AFTER FIXED CHARGES	\$ 494,873	\$ 1,170,219
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	<u>\$ 750,626</u>	<u>\$ 743,283</u>
NET OPERATING MARGINS	<u>\$ 1,245,499</u>	<u>\$ 1,913,502</u>
NON-OPERATING MARGINS		
Interest Income	\$ 93,382	\$ 115,696
Other Non-Operating Margins	<u>\$ 998,572</u>	<u>\$ 632,482</u>
Total Non-Operating Margins	<u>\$ 1,091,954</u>	<u>\$ 748,178</u>
NET MARGINS	\$ 2,337,453	\$ 2,661,680

I am pleased to present the 2010 financial results for People's Cooperative Services. The cooperative's 2010 financial statements were audited by the accounting firm LarsonAllen. LarsonAllen also audited the Operation Round Up® financial records reported on page 18 of this annual report. In the auditor's opinions, the 2010 financial statements present fairly, in all material respects, the financial position and results of operation for People's Cooperative Services in conformity with generally accepted accounting principles.

Sincerely,



Kenneth Wohlers
Secretary/Treasurer

BALANCE SHEET

December 31, 2010 and 2009 Years Ended December 31, 2010 and 2009

	2010	2009
ASSETS		
UTILITY PLANT		
Electric Plant in Service	\$90,651,558	\$85,797,395
Construction Work in Progress	\$1,242,057	\$1,574,220
Total	<u>\$91,893,615</u>	<u>\$87,371,615</u>
Less Accumulated Provision for Depreciation	-\$22,903,861	-\$21,217,261
Net Utility Plant	<u>\$68,989,754</u>	<u>\$66,154,354</u>
OTHER PROPERTY AND INVESTMENTS		
Investment in Associated Organizations	\$10,091,936	\$9,610,425
Other Investments	<u>\$3,214,223</u>	<u>\$1,397,281</u>
Total Other Property and Investments	<u>\$13,306,159</u>	<u>\$11,007,706</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$2,017,567	\$1,131,058
Accounts Receivable, Net	\$2,975,024	\$3,347,592
Other Accounts Receivable, Net	\$147,912	\$186,758
Materials and Supplies Inventory	\$698,597	\$660,393
Other Current and Accrued Assets	<u>\$15,001</u>	<u>\$13,692</u>
Total Current Assets	<u>\$5,854,101</u>	<u>\$5,339,493</u>
DEFERRED DEBITS	<u>\$367,646</u>	<u>\$17,031</u>
TOTAL ASSETS	<u>\$88,517,660</u>	<u>\$82,518,584</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	\$20,296,666	\$19,754,155
Other Equities	\$12,896,187	\$11,779,655
Accumulated Other Comprehensive Margins	<u>-\$113,100</u>	<u>-\$56,800</u>
Total Equities	<u>\$33,079,753</u>	<u>\$31,477,010</u>
LONG-TERM DEBT (Less Current Maturities)	\$47,850,000	35,687,082
OTHER NON CURRENT LIABILITIES		
Accrued Post Retirement Benefits	\$418,600	\$322,900
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$1,276,000	\$4,050,000
Notes Payable	\$0	\$7,100,000
Accounts Payable	\$2,588,267	\$2,428,479
Consumer Deposits	\$170,240	\$169,850
Other Current and Accrued Liabilities	<u>\$980,938</u>	<u>\$931,434</u>
Total Current Liabilities	<u>\$5,015,445</u>	<u>\$14,679,763</u>
DEFERRED CREDITS	<u>\$2,153,862</u>	<u>\$351,829</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$88,517,660</u>	<u>\$82,518,584</u>

WHAT
WE
OWN

OUR
NET
WORTH

WHAT
WE
OWE

Financial Data and Five-Year Growth Comparison

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Utility Plant	\$91,893,616	\$87,371,615	\$81,156,658	\$73,820,936	\$65,992,251
Total Revenue	\$29,232,171	\$29,298,504	\$26,690,227	\$25,178,197	\$22,589,149
Cost of Purchased Power	\$16,839,638	\$16,698,619	\$15,616,678	\$15,368,399	\$13,847,513
Total Margins	\$2,337,453	\$2,661,684	\$2,122,630	\$1,791,772	\$2,064,933
Equity Ratio (Equity/Total Assets)	37.4%	38.2%	38.7%	40.6%	45.1%
Interest on Long-Term Debt	\$1,954,299	\$1,644,322	\$1,337,528	\$1,370,441	\$1,087,068
Interest Coverage (TIER)	2.20	2.62	2.59	2.31	2.90
Service Interruptions (average hours)	4.95	2.30	3.30	4.15	3.67
Full-time Employees	52	53	55	51	49
Services in Place	16,571	16,701	16,649	16,498	16,350
Total Miles of Line	3,009	3,024	3,008	2,985	2,956
Kwh Sold	233,349,074	236,588,425	238,582,910	237,244,850	230,840,327
Capital Credits Retired	\$774,201	\$662,244	\$642,768	\$861,818	\$800,881

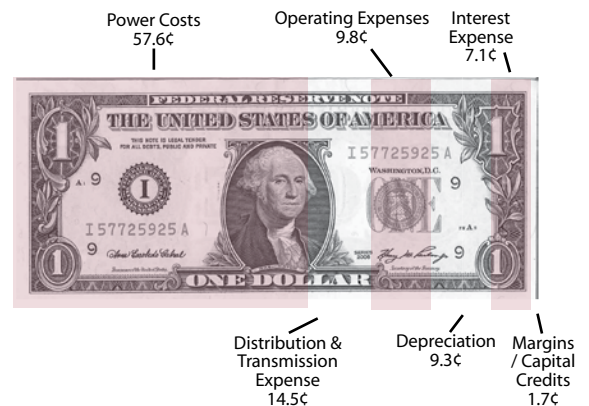
Operation Round Up Financial Report

People's Cooperative Services Trust
Financial Report
For the year ended December 31, 2010



Cash Balance Forward:	\$55,845
Receipts:	
Operation Round Up Donations	\$78,477
Interest	\$187
Total Receipts	\$78,664
Grants Disbursed	\$85,459
Cash Balance December 31, 2010	\$49,050
Grants Approved not Disbursed	\$38,074
Funds Available for Grants	\$10,976

How Your Dollar Was Spent in 2010



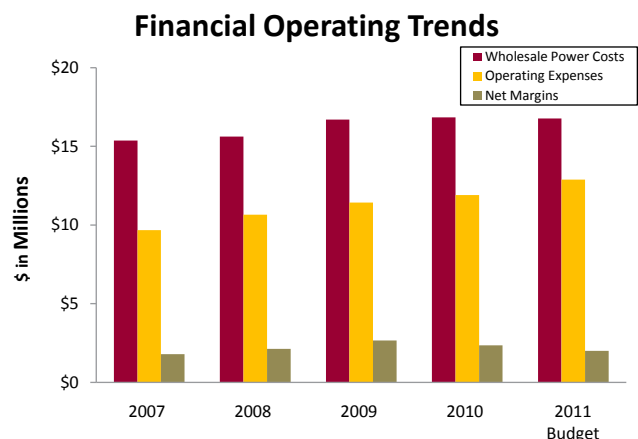
Corporate Profile (2011)

Incorporated on January 1, 1936, PCS serves 12,378 members in over 16,701 homes and businesses through 3,009 miles of line covering a service territory of 1,000 square miles in Olmsted, Dodge, Fillmore, Mower, Wabasha, Winona counties. The cooperative has 23 substations.

Multiple members are served within the city limits of Byron, Chatfield, Dover, Elgin, Eyota, Hayfield, Plainview, Rochester, St. Charles, & Stewartville and all members within the communities of Douglas, Genoa, High Forest, Marion, Oronoco, Pleasant Grove, Potsdam, Predmore, Rock Dell, Salem Corners, Simpson, Theilman and Viola.

PCS employs 51 individuals living in 20 different communities within the cooperative's service area.

Financial Operating Trends



Heartland Security Systems

People's Cooperative Services acquired ownership of Heartland Security in July 2008 allowing the cooperative to expand in to the home and business security systems and monitoring services.

Heartland Security Services located in Melrose, Minnesota is owned by 14 electric cooperatives covering western and southern Minnesota and northwestern Iowa. Heartland Security currently has over 6,000 customers and offers more than just burglar alarms. It is the cooperative link to security in every sense with a comprehensive set of features available including:

- Temperature and ventilation sensors protect homes, livestock, pets and other temperature sensitive items and areas by sending an alarm signal alerting the property owner or other designated individual if conditions fall above or below pre-set levels.
- Medical alarms allow people to remain independent in their homes longer with 24- hour emergency assistance available at the press of a button.
- Sensors arm any window or door in the home and may also be used to safeguard anything in your home that contains valuables such as jewelry cases, gun cabinets, collections and antiques.
- Glass break sensors are sensitive to specific frequencies caused by breaking glass and are usually placed on the ceiling in the center of a room.
- Motion sensors use passive infrared technology to detect the body heat of an intruder.
- Smoke sensors and carbon monoxide sensors alert authorities of a potential problem, even if the property owner is away from home.



Heartland Security also offers a lifetime warranty and installs commercial alarm systems that include monitored intrusion and fire protection, card access systems to limit and track entry into and throughout the premises, and video surveillance systems to record activity.

With the continued increase in the need for security systems in both homes and businesses, Heartland Security Systems kept extremely busy throughout 2010.

Traditionally, the primary users of security systems were businesses and high-end homeowners, however in the past two to three years it is commonplace for contractors, small businesses and typical homeowners (both in town and rural) to see both the need and benefits that a security system provides them.

New Heartland Security System installations for 2010 in southern Minnesota:

Rural residential homes	55%	Rural businesses	12%
City residential homes	28%	City businesses	15%

Why the continued increase in security systems?

The increase in break-ins in homes and businesses and the added security of fire protection has been the driving factor for most users. Security systems provide protection when you are at home and when you're not. Law enforcement officials point out that the presence of a security system (along with the signage) prevents many burglaries from occurring.



"Being an owner of Heartland Security Services allows People's Cooperative Services to focus on providing high quality and reasonably priced energy services to our members while expanding our services to include security monitoring. Heartland offers the same high standard quality service that we strive to provide our members."

Elaine J. Garry
President & CEO

See You at the Annual Meeting

Stop by the Heartland Security System booth at the annual meeting and sign up to receive a new security service.

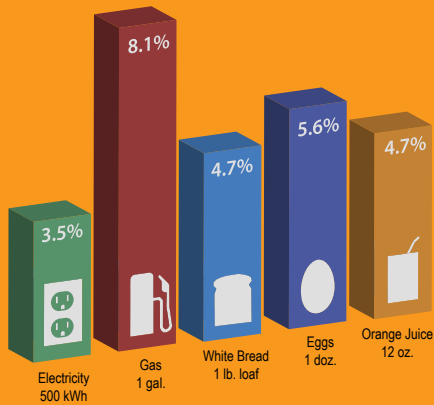
Annual meeting specials include a \$100 discount on your installation and a free water level sensor.

Rates and Revenue Deferral

Electricity Remains a Good Value

Electricity continues to be a bargain, especially when compared to other consumer goods. As demand for energy rises and fuel prices increase, your electric cooperative is committed to providing safe electricity at the lowest possible cost.

Average annual price increase over the past decade:



Sources: U.S. Bureau of Labor Statistics; NRECA

Each year as our costs change, our Board of Directors must decide how to apply the increase to our retail rates. The Board's approach has been that we should implement smaller rate increases as they are needed, rather than waiting and then implement larger increases.

This year (2011), beginning with the energy you use in April (and billed in May), we will be implementing an average rate increase of 2.2%. In an effort to minimize the negative impact of this cost increase, the Board has decided to adjust both the Facility Charge and the Energy Charge.

The Facility Charge is the cost that your cooperative incurs to bring you electric service even if you never turn on a switch and use power. In other words, this charge is to give you the ability to use power when you need it. Our most recent Cost of Service study indicates that our Facility Charge for residential (Class A) members should be \$44.00 per month. Our current charge is \$30.00 per month. This means that there is some cross-subsidization of rates at this time. Those members who use very little energy are being subsidized by those members who use more energy. Our Board has approved a new Cost-of-Service study to be completed in 2011 that will help us better identify how to structure rates that are as fair as possible for all members.

When we developed our 2010 Budget, we expected to lose 1300 members to RPU in April 2010. In fact, we did not lose about 900 of those members until January 2011. Because we were able to retain these members for about nine months longer than budgeted and because we had a warmer summer and colder winter than average, our revenue was about \$1.2 million higher than budgeted. Our Board elected to defer this excess revenue to be used in 2011 and 2012.

It is important to note that the capital credits earned by those members whose service was transferred to RPU will still be returned to them at the time they are retired.

Our Energy, Our Future

Members are called to action through the **Our Energy, Our Future** Campaign. We continue to work closely with the Minnesota Rural Electric Association and National Rural Electric Cooperative Association on legislative issues including climate change. The grassroots campaign is asking electric cooperative members to contact their legislators, urging them to consider fairness, reliability, affordability in crafting comprehensive and achievable energy and greenhouse gas legislation.

Nationwide over 3.7 million email messages and post cards have been sent by 535,334 cooperative members to the U.S. Congress. In Minnesota, 16,567 cooperative members have sent 106,046 messages. There have been 197 members of People's Cooperative Services sign up for this program and together they have sent 1,489 email messages.

www.ourenergymn.coop



Our Energy, Our Future™
A Dialogue With America
www.ourenergy.coop

PCS welcomed 21 members to the Member Advisory Committee

PCS places high value on member education and providing access to cooperative leadership. Through our Member Advisory Committee (MAC), a core group of members are educated about several topics impacting the cooperative and, in turn, these members share this information with other cooperative members and the general public.

Member Advisory Committee



People's Cooperative Services Member Advisory Committee had their first meeting on Monday, November 1, 2010.

The committee, consisting of 21 members (three from each district), will meet three to four times per year to review and offer feedback to the Board of Directors and Cooperative management on various cooperative programs, projects and issues.

Member Advisory Committee representatives are:

<u>District</u>		Term Limit
<u>District 1</u>	Lenny Laures	Rochester 1
	Josh Noser	Rochester 2
	Paul Pyfferoen	Byron 3
<u>District 2</u>	Don Leth	Mantorville 2
	Wayne McColley	Dodge Center 1
	Kurt Orning	Hayfield 3
<u>District 3</u>	Judy Larsen	Oronoco 3
	James McKeon	Mazeppa 2
	Neil Stolp	Oronoco 1
<u>District 4</u>	Pete Hampe	Theilman 2
	Suzanne Kennebeck	Elgin 3
	Steve McNallan	Kellogg 1
<u>District 5</u>	Don Andring	St. Charles 3
	Randy Chapman	Eyota 1
	Dale Hinkley	Chatfield 2
<u>District 6</u>	Arthur Friedrich	Rochester 3
	Joe Guyse	Rochester 2
	Nathan Redalen	Rochester 1
<u>District 7</u>	Robert Kuhlman	Racine 2
	Lori Miller-Beach	Stewartville 3
	Jeff Orth	Rochester 1

Member Owned - Service Driven



Our members are the most important part of our electric cooperative

Serving You



Out on the line

PCS employees work hard to ensure you have reliable power 24-hours a day no matter what Mother Nature brings.

Improving reliability takes a good maintenance and vegetation management program. During 2010, our operations team constructed four miles of transmission line, 45 miles of distribution line and completed upgrades and major maintenance projects in 10 of our 24 substations throughout our service territory to continue to improve the system's reliability.

But when the power does go out, PCS has local crews on the scene. They have families too. They understand the inconvenience of being without power and work safely and quickly to get the lights back on.

In the office

Whether you're building a new home and need electric service to the site, looking to replace an old water heater or have a question about your electric bill, PCS employees are here to help. During normal business hours you'll always hear a friendly voice, not an automated attendant.

Our Employees

Jeff Allen, Ben Alrick, Matt Bell, Kristi Berg, Tim Clawson, Nate Cliff, Rod Davis, Eric Dessner, Geneva Deters, Keith Dickman, Brian Engen, Bill Fillion, Gary Fitterer, Rick Garmers, Elaine Garry, Travis Gasser, Todd Haffner, Russ Halgerson, Mark Hallum, Don Hillman, Scott Hubbard, Brian Ideker, Keith Johnson, Rich Kendall, Tyler Larsen, Carla Leslie, Gary Koehne, Shane Lacey, Dave Long, Kevin McDermott, Michelle Olson, Tim O'Neil, Blake Overland, Randy Pankonin, Dave Patterson, Peter Reese, Marla Reincke, Ed Robinet, Sandy Rocheleau, Gene Schmit, Mike Schram, Jason Schrooten, Gary Schurhammer, Bob Snaza, Tara Stockman, Nicky Strain, Jeff Thompson, Russ Turner, Shawn Varpness, Rick Wellik, Teresa Whitcome

CFL Food Drive

Concern for Community is one of the cooperative principles that People's Cooperative Services practices all year-round. From March 1 through April 14, the cooperative conducted a "CFL Food Drive" with all proceeds going to Channel One - to be distributed throughout southeastern Minnesota to area families in need. Cooperative members who brought in a nonperishable food item received a free compact fluorescent lamp (CFL). PCS members and employees donated over 620 pounds of nonperishable food items and monetary donations of \$57.

As your local Touchstone Energy® Cooperative, we are committed to the communities we serve. This food drive is just one more example of how your cooperative supports those in need.



**The need is great.
Please help!**

Channel One food shelf donations of non-perishable food items (or cash) will be accepted during the month of April at the Cooperative office and at our annual meeting. Make a donation and receive a PCS tote bag and energy-efficient CFL bulb.



TogetherWeSave.com

Find out how making little changes can add up to big savings on your energy bill. This website focuses on the actions you can take to save money and energy through animated and interactive applications, videos and savings calculators.

Take the Home Tour and see what you can save through energy saving practices. This free tool is found at www.togetherwesave.com



**YOU'D BE SURPRISED HOW
MUCH MONEY CAN SQUEEZE
THROUGH A CRAWLSPACE.**

TOGETHERWESAVE.COM

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People's Cooperative Services, PO Box 339,
Rochester, MN 55903

Management Staff

Elaine J. Garry	President / CEO
Don Hillman	VP Planning & Support
Jeff Allen	Director of Operations
Gary Fitterer	Director of Engineering
Michelle Olson	Director of Member Services
Jeff Thompson	Director of Finance & Accounting
Teresa Whitcome	Director of Member & Employee Relations

General Information

Office Hours: 7:30 a.m. – 4:00 p.m.
Monday – Friday
507-288-4004

Phone: 507-288-4004

Online: www.peoplesrec.com

Digging and Line Location:
1-800-252-1166
(Gopher State One Call)

Qualified Programs

A/C Load Control

If you participate in People's Cycled Air Conditioner Program, we will install a radio receiver that allows us to cycle your air conditioner on and off every 15 minutes during summer control periods. Learn more about this program on our website www.peoplesrec.com

Residential Energy Audit Program

People's Cooperative Services is excited to offer members a low cost (or no cost) Residential Energy Audit Program through partnering with G.A. Ernst and Associates, Inc., a certified energy efficiency consulting service and solutions company.

E-Billing is a secure, easily assessable method of receiving, viewing, and paying your electric account.

- Reminder People's Cooperative Services is not authorized to enroll you into the E-Bill program. You must enroll yourself using the designated E-Bill page. E-Bill link is located on the website.
- Make sure to call and notify People's Cooperative Services about your enrollment into the E-Bill program so we can enter your name into the drawing.

Automatic Payment Plan

Simplify your electric bill payment process by enrolling into our Automatic Bill Pay Plan. No more checks to write or worries about lost, stolen, or delayed mail.

WIN ME

Stop by the Member Services booth at the Annual Meeting



**Enroll:
April 14
to
June 14**



E-Bill


A/C Load Control

Residential Energy Audit

Auto Pay

Enroll in one of the following qualified programs and have your name entered into a drawing to win a front load washer & dryer from Warners' Stellan. Multiple entries with multiple enrollments!



 **People's Cooperative Services**
Your Touchstone Energy® Cooperative 

For more contest details call the office at 507.288.4004 or visit www.peoplesrec.com

Drawing Rules and Requirements

Members must enroll in one or more of the above qualified programs to enter the drawing. Enrolling in auto pay or e-bill programs to be paid by credit card will not qualify for the drawing. Your name will be entered into the drawing for each **NEW** qualified program that you enroll in. This special promotion will run from April 14, 2011 to June 14, 2011. A random drawing will be held on June 15, 2011. The winner will be contacted by mail.

Qualified Programs Include:

- Residential Energy Audit • A/C Load Control • Auto Pay • E-Billing