

MCLEOD COOPERATIVE POWER

NEWS

DECEMBER 2021



CO-OP PRIORITIZES UNDERGROUND LINE

There are two methods of installing the power lines that carry electricity to your home, overhead and underground. McLeod Cooperative Power members sometimes ask why we use one versus the other, or more to the point, why all power lines are not installed using the underground construction method. These are great questions, and the answer is that each method has its place.

Each method is accompanied by its pros and cons which can be reviewed below, however, we know that underground lines can greatly improve reliability because of reduced exposure to outage threats. In addition, underground line generally requires less maintenance.

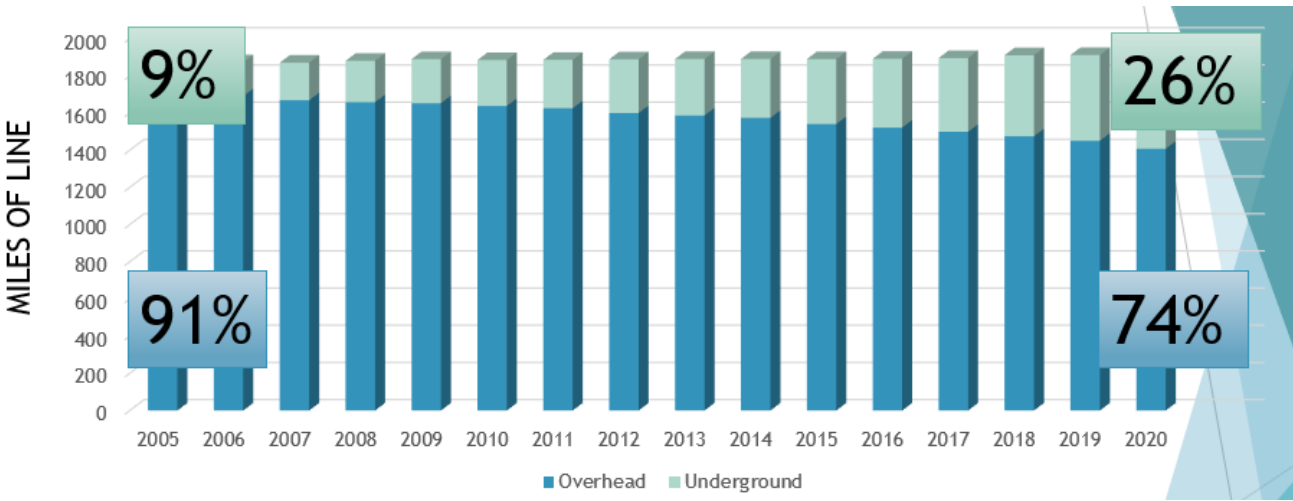
It's also important to remember that despite the benefit of overall increased reliability, underground lines are not immune to power outages. In fact, when outages do occur it can take longer to identify the issue or restore power because our crews can't see where the problem is or what other utilities are buried in the same area.

Regarding cost, initial construction costs can vary but underground installation is generally comparable to overhead depending on the area we are installing it in. Less populated, longer runs of underground line

are cheaper but more populated, shorter runs cost more than overhead.

At McLeod Co-op, we consider a variety of factors including age, type, and size of the conductor to decide which type of installation to use. In addition, we also factor in the environment - is it a private Right of Way, are there a lot of trees, what types of road are nearby, what types of buildings are around, and how does the line connect to the entire distribution system. All these factors are important to consider as they impact the economic viability of a project and the satisfaction of our members.

Over the last number of years, McLeod Co-op Power has placed increased focus, resources, and priority on installing underground lines. It's our goal to add underground lines or convert existing overhead lines to underground wherever and whenever it makes sense. In fact, the Co-op has increased the total miles of underground line by 201% throughout our service territory since 2005. In 2020 alone, 32 miles of overhead line was converted to underground and 3 new miles of underground line were installed. As we look to the future it's our hope to continue with this trend and McLeod Co-op Power will continue to prioritize converting overhead lines to underground as it is financially feasible to do so.



OVERHEAD LINES

PROS

- Quicker construction
- Easier to spot damage and faults
- Less expensive to repair and upgrade
- Can be built in any terrain

CONS

- Susceptible to wind, ice, and snow
- More vulnerable to damage from trees and vegetation
- Susceptible to damage from vehicle collisions
- Less attractive

UNDERGROUND LINES

PROS

- Not vulnerable to damage from tree branches
- Does not interfere with views
- Less susceptible to damage from vehicle collisions
- Not impacted by wind, ice, and snow
- Less vulnerable to blinks when animals and branches contact lines

CONS

- Difficult to locate the cause of outages
- Expensive to repair
- Can be vulnerable to dig-ins

SERVICE LINE CONVERSION

Members have the option to convert the service line to their home from overhead to underground for a fee.

The base cost of this conversion is \$400 plus \$4 per foot that is plowed. Road bores cost another \$10 per foot and are typically 50-70 feet long. Permitting costs are also passed along to the member. Finally, beginning November 1st each year winter charges of an additional \$6 per foot go into effect.

If a member is considering a conversion, we always meet with them first to discuss the plans, the costs, and any future property plans such as a shop, garage, planting trees, etc to ensure the member understand the project in full and that we avoid putting cable or equipment in a place that could cause problems down the road. We'll also discuss the location of the line (we usually recommend bringing power in along the driveway) and any other buried utilities such as septic, tile lines, propane lines, etc.

Happy Holidays!

The McLeod Co-op Power office will be closed on Thursday, December 23, and Friday, December 24, 2021, in observance of Christmas and Friday, December 31, 2021, in observance of the new year.

Please call (800) 927-5685 in the event of an outage or emergency.

Mail Delays

The United States Post Office has recently announced that it has increased time-in-transit standards which will result in delayed delivery. McLeod Co-op Power encourages you to plan ahead for these delays by mailing your bill payments early to ensure they arrive at our office before the billing due date.



CEO MESSAGE

As 2021 ends, we are busy planning for 2022. The staff at the Cooperative has been deep in our budgeting process for next year. We use a very robust process that allows visibility into all the corners of the Cooperative. Through the process, we challenge ourselves to make sure we are wisely utilizing resources to deliver the best possible service to you, our members.

During 2021 we have been leveraging the low-interest environment and have refinanced portions of debt that bring savings. This has lowered our interest on the long-term debt by 10% saving over \$130,000 for 2022. Great River Energy, our wholesale power supplier, has also announced that rates are going to be stable for 2022 and into the future. This is great news for their members. The people of Great River Energy have been on a difficult and complex path with the decision to either close or sell its large coal generation station – Coal Creek Station. By this time next year, if everything goes to plan, Coal Creek Station will have a new owner.

Great River Energy has been acquiring new generation contracts with large wind developers as well as with the new owners of the Coal Creek Station while also enhancing operations with its natural gas generator stations. Additionally, they are leading the way with energy storage, continuing to work on installing a large battery project that doesn’t use lithium-ion battery technology.

Regrettably here comes the challenging news. We have not been immune to the inflationary pressures that we all are experiencing in our day-to-day lives. In 2021 we started to see lead times push out and increasing costs for the equipment and supplies we use to provide service. Wire, poles, and transformer lead times are pushing out while pricing is pushing up. The operations team here at the Cooperative is managing these challenges by prioritizing projects and incorporating the new lead times.

For example, in our generator sales side of the company, we started to see lead times pushing out significantly. Prior to 2021, we would only order generators as our members were purchasing them,



CEO RON MEIER

not keeping any generators on our shelves – ordered as they are sold as lead times were manageable. As lead times started to push out, we decided to order generators to put in “stock” while locking in wholesale pricing for our members. It is a slightly different way to manage this part of the company and it is working out well.

As I mentioned last month, with the start of the new year we will be working through a Cost of Service Study that will help us identify new types of rates providing opportunities to reduce your bill without just having to use less energy. We anticipate having the study complete sometime next Spring and this will help determine if any rate adjustments are needed.

The Co-op’s wholesale bill from Great River Energy considers not just how much energy and power we need, but also when it is needed. Because of this, along with our advanced metering systems, we can start to consider rolling out rate structures that help all of us control the cost of our wholesale power bill by considering the time of day we use energy. If everything goes according to plan, we look to be rolling out these new types of rates by next summer.

2021 has been an interesting and successful year for our Cooperative and 2022 will be another that I am looking forward to.

Cooperatively,

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NOVEMBER 2021 BOARD MEETING HIGHLIGHTS

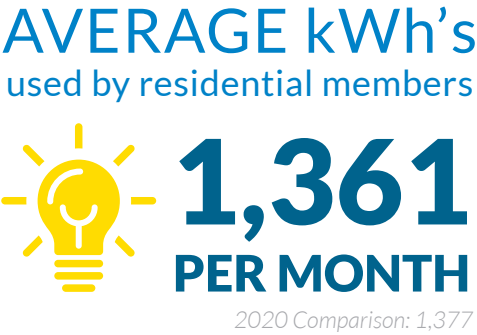
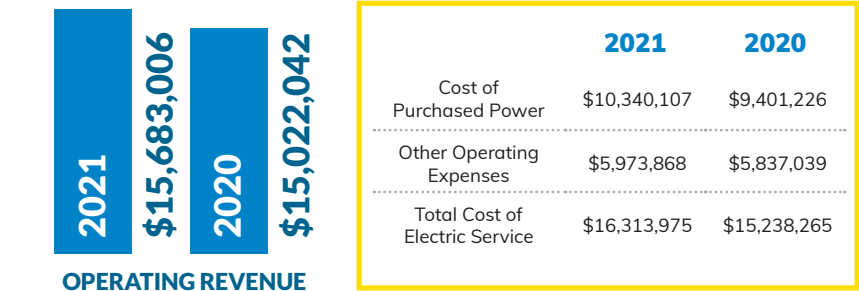
The Regular Meeting of the Board of Directors of McLeod Cooperative Power Association was held on November 23, 2021, at McLeod Co-op headquarters. All nine board members, the attorney, CEO Ron Meier, and department managers participated in the meeting.

Highlights of the meeting included:

- The October outage report was provided with a total of 81 outages, affecting 270 consumers.
- A motion was carried to approve to reappoint Elizabeth Schwarze to a 3-year term (2022-2025) for the Operation Round Up Board.
- Steph Jakel, Manager of Finance, reported that the sale of the old headquarters is complete. Additionally, the October 2021 Operating Statement and Balance Sheet were presented.
- Operations Manager Dan Schade will be retiring in February 2022 and his replacement has been hired.
- Representatives from Connexus Energy gave a briefing on why they desire to become a customer of Great River Energy's instead of a member.
- A motion was carried to approve the 2022 Budget as presented.
- Motions were carried to approve Resolution 2021-11-02 Vote in Favor of Additional Purchase Quantity Under Financial Settlement and Capacity Purchase Agreement with Rainbow Energy Center and Resolution 2021-11-03 Vote in Favor of Amendment to NextEra Energy Resources, LLC Buffalo Ridge Wind Purchase Agreement.
- A motion was carried to approve the increase to the reservation fee for Rate 21 Industrial Service with Firm Standby Service effective January 1, 2022.

BY THE NUMBERS | Q3 2021

McLeod Co-op Power’s leadership spends substantial time managing and providing oversight of the Co-op’s operations, including ensuring that the organization remains in a strong and stable financial condition. Below is an overview of our Third Quarter Unaudited Financial Report.



wishing you a
WONDERFUL
HOLIDAY SEASON



AND A HAPPY
NEW YEAR

from all of us at
McLeod Co-op Power



AS FOSSIL FUEL PRICES SPIKE, ENERGY MANAGEMENT PROGRAMS PROVIDE WINTER HEATING STABILITY

The last two years have shown consumers how volatile pricing can be – from gas to building supplies to vehicles. Most recently, propane prices have skyrocketed, leaving some people planning for a costly heating season. But stable electric rates, efficient equipment, and energy management programs help you save on winter energy bills.

The U.S. Energy Information Administration (EIA) forecasted U.S. households' heating bills will jump 54% compared to last winter. The EIA expects the Midwest to see 49% increases for natural gas-heated homes and a 54% increase for LP. The good news? Those that have electric heat are expected to only be modestly impacted at 6%.

If you're looking for more stability and saving, McLeod Co-op Power offers excellent heating programs that offer value, safety, and competitive advantage. Our program variety ensures that you can choose the methods that best meet your needs. In addition, many of our programs offer rebates or a reduced electric rate to help you lower your energy bills even further.

EFFICIENT EQUIPMENT

One of the best ways to save is upgrading your home heating system with efficient equipment like an air source heat pump (ASHP). "Furnaces typically run from 60 to 95 percent efficient," shared Shannon Jerabek, Energy Management Specialist. "However, ASHPs run from 200 to 300 percent efficiency." Because of their advanced efficiency, the cost to run an ASHP often falls well below the cost of propane-only heat. The difference becomes even more favorable when propane prices rise, which can happen without much notice.

In addition to protecting you from unpredictable fuel prices, ASHPs maintain the same comfort you expect without the need to endlessly monitor fuel levels. Electric heat doesn't run out, so you can avoid more fuel tank refills and messy maintenance. Plus, less reliance on fossil fuels means fewer emissions inside and outside your home.

Worried about the cost to upgrade? McLeod Co-op offers some attractive rebates to help offset the cost of installing a qualified ASHP.

LOAD MANAGEMENT PROGRAMS

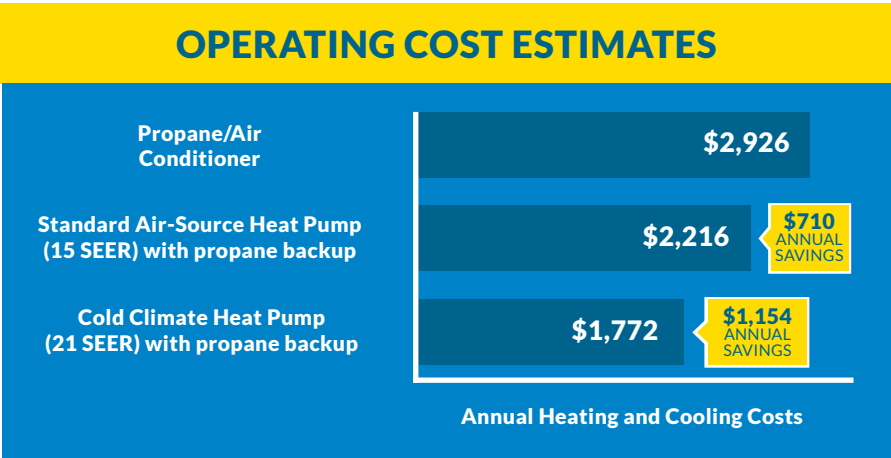
In addition to the savings created through efficient equipment and available rebates, the Co-op offers a variety of off-peak heating programs that reduce energy demand during peak times and energy purchase costs for both members and the Co-op.

For example, a highly efficient ASHP can easily be paired with our Dual Fuel program which combines two heating sources - electric and an alternate heating system as your backup. "Members participating in this program benefit by paying a low off-peak electric rate for all of their electric heat. In exchange, when demand for electricity is high, the Co-op is able to control their electric heat during peak times (up to 400 hours per year maximum)," shared Jerabek. "During control times, the automatic back-up system will heat the home."

For the last decade, our low off-peak electricity price has remained stable, protecting members from the harsh, sometimes pocket-emptying cost swings of propane. With the off-peak electric program, you still have the choice to utilize a backup fuel source when it's very cold and have more control over your monthly expenses. It's the comfort and security you've been longing for.

LEARN MORE OR EXPLORE OPTIONS

If these great savings intrigue you and you want to learn more visit www.mcleodcoop.com/services/off-peak-programs/ or contact our office at (800) 494-6272. In addition, McLeod Co-op Power offers a variety of programs and rebates such as storage heating and smart thermostats to fit all our members' needs. We're here to help you find the best solution and the most savings for your heating needs.



Assumptions: Typical weather in a northern climate. Assumed heating requirements of 55,000 BTU/h. Average propane price of \$2.10 per gallon. Summer electric rate of 13.01 cents per kWh. Load management electric rate of 6.12 cents per kWh. (Estimates courtesy of Bryant Heating & Cooling.)



ENERGY EFFICIENCY

Switch to LED Christmas lights. LED Christmas lights are brighter, last longer, and use less electricity than the traditional, incandescent lights. Although LED lights may cost a bit more than incandescent lights, these benefits make up for the small price difference.

TOUCHSTONE ENERGY COMMUNITY AWARD

McLeod Cooperative Power is honored to award its 2021 Touchstone Energy Community Award to Common Cup Ministry.

This annual award recognizes a local business or community group that made a positive impact within the Co-op's service territory. Common Cup's Warm Coat Distribution program provides approximately 400 people in need with warm coats, boots, hats, gloves, and other winter clothing each year. As this year's award winner, Common Cup Ministry received a \$500 donation from the Co-op.

Additionally, they will contend for the statewide Touchstone Energy Community Award and an additional donation of \$1,000. The statewide award winner will be recognized at the Minnesota Rural Electric Association annual meeting in 2022.



Common Cup Ministry named 2021 Community Award winner and accepts \$500 award.

ELECTRIC SAFETY TIPS FOR THE WINTER

Winter in Minnesota means cold weather. Many stay warm by plugging in their electric blankets or portable heaters or curling up in front of the fire. However, keeping warm with electronics comes with increased electrical safety hazards. This is also a great time of year to check for damage to your existing electrical systems. Take these preventative measures to practice winter safety and protect yourself and your family from winter electrical safety hazards.

PURCHASING ELECTRICAL EQUIPMENT

Statistics show consumers purchase more electrical appliances in the winter than they do during the other seasons. A critical winter safety tip when it comes to electricity is paying attention to the products you buy. Follow these tips to avoid purchasing cheap and potentially dangerous electrical products:

- Only purchase products from high-quality stores, companies, and retailers.
- Don't always go for the cheapest product. If it seems like you're getting too much of a bargain, you probably are.

INSPECT ELECTRICAL EQUIPMENT

Start winter off strong by testing all your existing electrical appliances and equipment for damage. Watch for loose connections, tattered wires, and cords, and pinched or bent insulation on wires. Also, take note of cracked or overheated wires and other related signs of wiring damage. Check everything in your home including electrical heaters, smoke alarms, lighting, and electrical sockets. Furthermore, if you notice any signs of damage or excessive wear and tear, replace the appliance or equipment or have it repaired if possible.

ELECTRIC HEATERS SAFETY

If you choose to keep warm in the winter with supplemental heaters, do it right — follow these winter electrical safety tips:



Space Heaters

- Keep anything flammable away from the space heater front, including paper, drapes, pillows, and blankets.
- Supervise children around space heaters. Space heaters can be a burn or shock hazard.
- Make sure the space heater plug is in good shape. A beaten-up plug can start fires.
- Do not run cords underneath area rugs; this can start a fire.

Electric Blanket

Never fall asleep with your electric blanket on. Make sure the plug and cord are in good shape, otherwise it can pose a fire hazard. Do not cover your electric blanket with another blanket. Even if it's comfortable to use both, the extra blanket can become a fire hazard.

WINTER POWER OUTAGES

Winter storms can cause prolonged power outages by weighing power lines down with ice, causing trees to fall into lines, or creating hazardous road conditions resulting in vehicle accidents with power poles. To safely weather a winter outage, you need to prepare and know what to do when a storm strikes. When the lights go out, you should first contact your utility company to inform them of the outage. McLeod Co-op Power can be reached 24 hours a day by calling (800) 927-5685. Once we are aware of an outage, we will immediately respond. Until the power comes back on, do all you can to keep your family comfortable.

Here are some tips on how to stay warm during a winter power outage:

- Stay inside, and dress warmly.
- Close off unneeded rooms and place draft blocks at the bottom of doors to minimize cold air entering the house.
- Be aware of the temperature in your home. Infants and elderly people are more susceptible to the cold. You may want to stay with friends or relatives or go to a shelter if you cannot keep your home warm.
- To protect your circuits and appliances, switch off lights and unplug appliances.

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LEAVING FOR WARMER WEATHER? SNOWBIRDS ARE ENCOURAGED TO NOTIFY THE COOPERATIVE

McLeod Co-op Power members saying goodbye to the cold and the snow this winter for sunny skies are encouraged to notify the Co-op before leaving. While your meter will continue to be automatically read each month, it is helpful to discuss and decide on your preferred payment arrangement during your absence.

OPTIONS INCLUDE:

- Advance payment
- Forwarding your mail
- Automatic payments from a checking or savings account
- Credit card payments over the phone
- Bill pay through your financial institution

Be sure to call the Co-op during business hours at (800) 494-6272 to make your billing arrangements.



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