

UNLOCK ENERGY EFFICIENCY: FAQ GUIDE TO AIR SOURCE HEAT PUMPS

This summer, McLeod Co-op Power is once again offering enhanced rebates for members who install new Air Source Heat Pumps. But what exactly is an Air Source Heat Pump (ASHP) and is it the right choice for your home?

WHAT IS A HEAT PUMP?

A heat pump is an electric HVAC (Heating, Ventilation, and Air Conditioning) device that provides both heating and cooling to your home. Unlike traditional air conditioning units, heat pumps can move heat in both directions, either extracting heat to cool an area or introducing heat to warm it. The most common type is the air source heat pump (ASHP), which transfers heat between indoor and outdoor air.

WHAT'S THE DIFFERENCE BETWEEN DUCTED AND MINI-SPLIT HEAT PUMPS?

Ducted heat pumps use ductwork to distribute conditioned air throughout a home, similar to central air conditioning. On the other hand, ductless (mini-split) heat pumps don't require ductwork and are ideal for homes with boilers or electric baseboards. They utilize indoor units installed in living areas for air conditioning, with various styles available such as highwall and floor-mounted options.

DO HEAT PUMPS WORK IN MINNESOTA?

Yes, heat pumps work well in Minnesota, especially when combined with a secondary heating source for optimal comfort during extreme weather conditions. Modern, variable-speed heat pumps, including cold-climate models designed for high heating performance, are suitable for the region's cold winters and hot summers.

WHAT IS A SWITCHOVER TEMPERATURE?

The switchover temperature is the outdoor temperature at which a heat pump transitions between heating and cooling modes, which homeowners need to understand for efficient operation during different seasons.

WHAT IS THE LIFESPAN OF A HEAT PUMP?

A well-maintained heat pump can last between 15 to 20 years on average, with regular maintenance and professional servicing contributing to its longevity.

WHAT ARE THE BENEFITS OF A HEAT PUMP?

Homeowners who install heat pumps report improved comfort, energy savings, and reduced greenhouse gas emissions, finding them to be a cost-effective and efficient solution for both heating and cooling needs.

- **Energy efficient.** ASHPs provide home cooling and supplemental heating with less electricity than conventional air conditioners and furnaces. ASHPs are up to 300% efficient – helping you save on your energy costs.
- **Easy installation, low maintenance.** You can find an ASHP to fit nearly any size of home.
- **Save money with rebates and low energy management rates.** McLeod Co-op Power provides rebates for members who install a qualifying, energy-saving ASHP. Additionally, there are financial incentives for enrolling your ASHP in the Co-op's load management programs. An ASHP will also help you limit your use of propane or natural gas, protecting you from volatile pricing and shortages.

WHAT ARE THE DIFFERENT CATEGORIES OR HEAT PUMP PERFORMANCE?

Heat pump performance varies based on compressor type. Single-stage units have one speed, two-stage units have low and high speeds, while modern variable-speed units offer the highest efficiency and comfort with their ability to modulate speed in small steps.

HOW DO I DETERMINE THE SIZE OF HEAT PUMP NEEDED FOR MY HOME?

Heat pump sizing, measured in tons, depends on factors like home size, insulation, and climate. Consulting with a quality contractor who performs proper measurements is essential for recommending the right sized heat pump for optimal comfort and efficiency.

Learn more about heat pumps at: www.mnashp.org/for-homeowners

Learn more about McLeod Co-op programs and rebates at: www.mcleodcoop.com/products/rebates/

SPRING REBATE SPECIAL

Now through September 1, 2024, get up to a \$1,200 rebate from McLeod Co-op Power when you install a qualifying, energy-saving air source heat pump!

It's the best of both worlds! Air Source Heat Pumps (ASHPs) provide home cooling and supplemental heating with less electricity than conventional air conditioners and furnaces. The technology concentrates heat in the air and moves it into or out of your home depending on the season. ASHPs are one of the most effective ways to improve your home's energy efficiency.

ASHP	PROMO REBATE
8.2-8.99 HSPF or ≥ 7.5 HSPF2	\$700
≥ 9.0 HSPF or ≥ 8.1 HSPF2	\$1,200

To learn more about these limited-time rebates visit www.mcleodcoop.com/products/rebates/.

Funds are available and awarded on a first-come, first-served basis. Rebate amounts and programs are subject to change without notice and McLeod Co-op Power reserves the right to end the promotion earlier than September 1st if funding for the promotion is exhausted.

SEND US YOUR BEST SHOTS

The photo contest for our 2025 calendar is now open for entries. The contest is designed to spotlight the photography talents of our members, but just as importantly the scenic beauty and unique characteristics of our service territory.

Members are encouraged to submit photos representing all four seasons in our community. Photos will be accepted until August 1, 2024. **Winners will receive a \$20 credit on their electric bill.**

LEARN MORE

Review guidelines and submission details at www.mcleodcoop.com/2025-calendar-photo-contest/.

By entering this contest, you agree to give McLeod Co-op Power rights to use your photo in the Co-op's calendar, newsletter, future contest promotions, and other publications or digital media.

A LOOK AT THE FINANCIALS

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WATER HEATING PROGRAM BENEFITS AND REBATES

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SAVE THE DATE: 2024 ANNUAL MEETING

The Co-op's Annual Meeting will take place on Tuesday, July 16, 2024 at the Crow River Winery.



FINANCIAL MESSAGE

Another year is in our rearview mirror, and it ended with the total margins of the cooperative being better than the year before. Even though the operating margins look less favorable, it was an intentional decision as the cooperative decided to use less of the deferred revenue that was available and instead recognize more in 2024. This decision was made after realizing that the cooperative would still meet its loan covenants with lenders in 2023 while helping relieve some of the financial pressures that we are already starting to face this year.

A mild winter significantly affects the financials of an electrical cooperative by reducing sales. During colder months, households and businesses typically increase their electricity usage to heat their spaces, resulting in higher demand for electricity. However, in a mild winter, the need for heating decreases, leading to lower consumption. As a result, the cooperative generates less revenue from energy sales, impacting its financial performance. This reduction in sales can constrain the cooperative's ability to invest in infrastructure improvements, maintain service quality, and meet financial obligations, potentially leading to budgetary challenges and operational constraints in the long run.

This is particularly true for McLeod Co-op Power as our rates are designed with part of our fixed costs being captured in the energy portion of the rate. Yes, we do have a monthly System Delivery Charge (SDC) that covers a portion of these costs; however, it does not cover all the costs of just having the electrical grid to your home regardless of if you use a little or a lot of electricity. All this means is that the unseasonably warm winter weather has had a negative impact on our financials in the first couple of months for 2024. Of course, overall sales could swing the other way in the months ahead, so for now we will pay close attention to this as we enter the summer.

When designing the budget, another consideration for cooperatives is forecasting their capital credit retirements that are received. When we put together the 2024 budget at the end of 2023, we used projected retirements from Great River Energy (GRE). Our rate increase at



FINANCE MANAGER
STEPH JAKEL

the beginning of this year had GRE's projected retirements from October 2023. After the new year started, GRE approved a different retirement plan that cut more than half of the retirements we were expecting. This isn't good news for our year end 2024 financial outlook. While we should be ok, this is going to be putting pressure on our 2025 outlook.

It was noted in past newsletters that the cooperative was aware there would be a possibility of multi-year rate increases. This is still a true statement today and as a result the cooperative is conducting another Cost-of-Service Study that will be completed before we start to work on the 2025 budget and rates. This study will dive into our cost of providing electricity and the needed revenue to have healthy financials.

We do not take rate increases lightly at MCPA, but periodically they are inevitable to maintain necessary financial margins while maintaining a reliable electrical system that meets the needs of our members. We will continue to keep our members informed on our financials as we progress through 2024.

Cooperatively,

MARCH 2024 BOARD MEETING HIGHLIGHTS

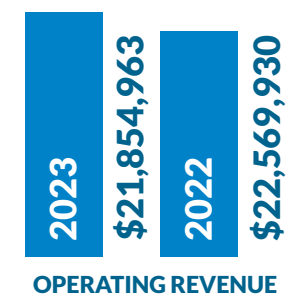
The Regular Meeting of the Board of Directors of McLeod Cooperative Power Association was held on March 26, 2024, at McLeod Co-op headquarters. The nine board members, attorney, CEO Ron Meier, and department managers participated in the meeting.

Highlights of the meeting included:

- The outage report for the month of February was reviewed with a total of 31 outages, affecting 122 consumers.
- Operations Manager Brady reported that TreeStory has completed 85% of Hutchinson Township and 80% Acoma Township. Members in Hale Township are being notified that work will soon begin.
- A motion was carried to approve Resolution 2024-03-01 City of Brownston Service Agreement.
- A motion was carried to approve the 2024 Nominating Committee.
- Assistant Member Service Manager Thomes reported that the Operation Round Up meeting was held on March 11 at MCPA. Twenty-nine applications were received and \$52,100 was distributed to twenty-five of those applicants.
- Manager of Finance Jakel reviewed the February financials.
- A motion was carried to approve Resolution 2024-03-03 Amend Revenue ERTC Deferral Plan.
- A motion was carried to approve Resolution 2024-03-02 Allocation of 2023 Margins.
- A motion was carried to approve Resolution 2024-03-04 Cost of Service Study Consultant.

BY THE NUMBERS | Q4 2023

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 Fourth Quarter Unaudited Financial Report.



	2023	2022
Cost of Purchased Power	\$13,685,967	\$14,150,978
Other Operating Expenses	\$8,590,190	\$8,222,077
Total Cost of Electric Service	\$22,276,157	\$22,373,055



kWh's SOLD
174,758,277

2022 Comparison: 183,065,261

TOTAL MARGINS
\$798,867

2022 Comparison: \$773,122

	2023	2022
Operating Margins	\$(421,194)	\$196,875
Non-Operating Margins	\$1,220,061	\$576,247

6,994
MEMBER SERVICES BILLED

2022 Comparison: 7,006

AVERAGE kWh's
used by residential members



1,425
PER MONTH

2022 Comparison: 1,458

*The year end financial recap above represents the unaudited financials for 2023.



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CAPTIAL CREDIT ALLOCATION NOTICE

The amount of capital credits allocated to each member for 2023 is shown on the electric bill being mailed in mid-April. It is based on margins allocated. McLeod Co-op Power allocations may be refunded to the member at some time in the future when capital credits for 2023 are retired. The amount shown is not available to be deducted from the bill at this time. It is merely a notice of allocation.



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Whether you use a computer, smartphone or tablet, you can view and pay your bill online and have all of your account information at your fingertips.

- Receive e-mail notifications when your bill is ready to view online.
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- Cut down on paper clutter in your home.
- Easily review your electric usage, payment and billing history.

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www.mcleodcoop.com/about/smarthub/



ENERGY EFFICIENCY

A well-designed landscape can add beauty to your home and reduce home heating and cooling costs. Plant deciduous trees with high, spreading crowns to the south of your home to block sunlight in the summer and reduce the need for air conditioning. Deciduous trees lose their leaves in the winter, allowing sunlight to warm your home.

Plant evergreen trees and shrubs with low crowns to block winter winds. Dense evergreen trees and shrubs planted to the north and northwest are the most common type of windbreak and can help lower energy used for home heating.



PROGRAMS, LIKE STORED WATER, OFFER GRID MANAGEMENT FLEXIBILITY, SAVINGS

More than 370,000 appliances owned by cooperative members like you are playing a role in managing the reliability of the regional electric grid and saving the entire membership money at the same time.

McLeod Co-op Power and the other 26 member-owner cooperatives that receive wholesale electric power from Great River Energy offer voluntary programs that empower members to use the grid efficiently and economically by reducing demand during periods of stress and shifting energy consumption to off-peak times.

By choosing to enroll an electric appliance, such as a water heater or air conditioner, into one of your cooperative's "demand response" programs, you are helping keep electricity reliable and affordable.

McLeod Co-op provides two ways for its members to make contributions toward helping manage the grid while possibly receiving rebates or other incentives for their participation: 1) interruptible programs and 2) off-peak programs.

Using the example of an electric water heater, a member who enrolls this home appliance into an interruptible program gives permission for their cooperative to pause service to the water heater to eliminate all or part of its load from the system for up to eight hours when wholesale energy market prices are high. "Through the flip of a switch, this strategy helps reduce the Cooperative's monthly billing peak," said Dan Ehrke, Member Services Manager. "Water heaters enrolled in this program take advantage of sufficient storage capacity to supply hot water over the peak period while electrical service is paused when it is needed."

Communication is key as the goal is to make sure that members are not caught off guard when a control event happens. The McLeod Co-op Power website has a link to GRE's website where the load control schedule is posted. We also attempt to share load control events on our Facebook page.

This strategy is employed mostly to avoid high wholesale energy prices and to reduce the monthly billing peak of Great River Energy's member-owner cooperatives. Participants experienced 40 pauses to their water heater service in 2023 according to data provided by Great River Energy.

If you are more interested in the off-peak program, you would receive a rebate for purchasing a high-efficiency water heater that is "charged" overnight with sufficient storage capacity via less expensive electricity to supply your home's hot water needs. Program participants can expect their water heaters to recharge for eight hours, typically between 10 p.m. and 6 a.m. during the winter season and 10 p.m. to 9 a.m. in summer. This strategy only applies to weekdays, excluding weekends and holidays unless billing peak control is needed.

"Participation in this program helps provide significant economic relief to the overall membership by shifting the heating load to the overnight hours, resulting in more favorable rates," said Ehrke. "This also helps us defer wholesale energy purchases to off-peak hours that would otherwise cost more to purchase during on-peak hours."

Contact McLeod Co-op Power for more information on our demand responses programs and how you can get enrolled at (800) 494-6272.

IS YOUR WATER HEATER SAVING YOU MONEY?

Water heating is one of the largest energy expenses in a typical household. Electric thermal storage (ETS) water heaters are nearly 100% efficient and can save you up to 50% on your water heating expenses.

Get a \$400 rebate* when you enroll your water heater on McLeod Co-op Power's Storage Water Heating program. This controlled program heats your water during off-peak hours when electrical demand is at a minimum and stores the hot water for use when you need it. Offer available through December 15, 2024.

LEARN MORE AT:

www.mcleodcoop.com/services/off-peak-programs/

*To qualify installed units must pass the Co-op's Load Management inspection check-out.

**Rebates are processed on a first come, first served basis – once funds are depleted, rebates will cease for 2024.



HONORING OUR HEROES: LINEWORKER APPRECIATION DAY

Our lineworkers are on call 24/7, 365 days a year. They give their all to keep your power on. Say thank you with us on Lineworker Appreciation Day, April 11.

In the heart of every community lies a network of unsung heroes ensuring our homes stay bright and our lives remain connected. As we celebrate Lineworker Appreciation Day on April 11, we take a moment to shine a spotlight on these courageous individuals at McLeod Co-op Power.

It's no secret that a lineworker's job is tough—but it's a job that's essential and must be done often in challenging conditions. Laboring high in the air, wearing heavy equipment, and working directly with high voltage creates the perfect storm for a dangerous and unforgiving profession. Their dedication to duty often goes unnoticed, but their impact is felt in every home and business.

At McLeod Co-op Power, our lineworkers exemplify the highest standards of professionalism, skill, and commitment. They embody the spirit of service, putting the needs of our community above their own, day in and day out. Their unwavering dedication ensures that power outages are swiftly resolved, storms weathered, and our community remains resilient.

As we honor our lineworkers at McLeod Co-op Power, let us extend our deepest gratitude. Thank you for your unwavering commitment to keeping our community powered. Your tireless efforts do not go unnoticed, and on this Lineworker Appreciation Day, we celebrate you. Thank you for everything you do.



USPS 2220
PERIODICALS
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SPRING INTO SAFETY ON THE FARM

Planting season is here. While you prepare to plant the crops that help feed the world, McLeod Co-op Power reminds you to keep safety in mind — especially when working around electricity.

- Keep equipment and people at least 15 feet from power lines at all times, in all directions.
- Inspect the height of farm equipment. Always use a spotter when operating large machinery near power lines and before entering fields, check for clearance.
- Never attempt to move a power line out of the way or raise it for clearance. Do not attempt to fix electric infrastructure or equipment yourself.
- If a power line is sagging or low, contact McLeod Co-op Power.
- In case of contact, call 911, keep others away, and do not exit the equipment or touch anyone in contact with electricity.



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WWW.MCLEODCOOP.COM

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