MINNESOTA VALLEY CO-OP NEWS
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MANAGER'S MESSAGE • PAT CARRUTH

General Manager

Rate Increase September 1st

When we made the budget for this year, we knew it would be tight. We were hoping with some luck we would be able to hold rates until the first of the year—we can't. Increased storm damage, interest expense and other operating costs not in the budget prove too much to stay ahead of on soft power and energy sales year to date. As you know, as stewards of your cooperative, we have a duty to keep it in good financial shape. The board approved a 9% overall average rate increase effective with next month's usage. We held the rates steady for 4 years and 7 months.

Running out of Someone Else's

The taxpayer and electric ratepayer have and will continue to pay for the heavy buildup in wind and solar over the last two decades. On your behalf, we and the other 140 cooperative member-owners of Basin Electric, have made heavy investments in renewables and emission abatement in our power plants to meet government requirements during that time period. The taxpayers are paying the taxes that companies putting up wind farms avoid with tax credits. The ratepayers are paying higher electric rates for the installation and operation of this renewable energy, in addition to the cost of their original baseload power plants they own and operate. We will soon be faced with the next installment payment for renewable energy. That next installment will be for rebuilding our baseload generation capacity and reliability, our coal-fired plants.

Today, our Basin Electric has 6,031 megawatts of generating capacity. Most of it is coal based. Renewables, made up of mostly wind, represent 20%. The wind, of course, has to be backed up with gas generation. Even with all of our investment in wind and gas, we still rely on our baseload coal plants for delivering the bulk of our power and energy. In the past 20 years, most electric utilities have moved into regional power pools or grids to help effectively and collectively dispatch power plants and to mitigate the added instability renewables put onto the grid. This helps to socialize the risk of meeting the power needs of the entire power pool. Coal-based power plants are critical to providing high-quality power, along with stability and reliability to power pools. Power pools are increasingly requiring baseload generation to constantly ramp up and down, which is

(Manager's Message continued on page 2)

Minnesota Valley will be closed Monday, September 4th in observance of Labor Day.

Rate Increase Announced for September 1st, 2017

Minnesota Valley Cooperative will implement our first rate increase since January of 2013. At the beginning of this year the cooperative had stated that a rate increase was imminent, but we had hoped to hold that rate increase off until year end. The combination of many things has prompted the decision to implement that rate increase on the first day of next month. The contributing factors for the increase include among other things: increases in wholesale power costs, higher interest rates on existing loans, lower than expected heat sales, normal operation expense increases and recent storm damage expenses.

Your cooperative conducts rate studies to identify the costs of providing service to each rate class. The projected sales for each rate class is then used to formulate a rate for that particular rate class. Assigning the costs associated with each rate class helps us to more accurately develop rates that are equitable and fair for each of our member-owners. It is not easy having to increase energy rates, but we will continue to do what we can to keep your rates as low as possible. We take this matter very seriously and will continue to look for ways to more efficiently and economically meet your electrical energy demands. All while still delivering reliable, safe and affordable power.

If you have questions regarding the new rate structure or need help with your energy efficiency goals, please contact the Member Services Department at 320.269.2163 or 800.247.5051 for assistance.

See more details on the new rates on page 3.

opposite of what they were designed to do – operate at full load. This is causing increased operating and maintenance costs for baseload power plants and potential for more grid instability. Small generators, like wind turbines, simply cannot replace large baseload power plants.

Power pool markets have not kept up with the reality of today's power generation in the way generation assets are priced and dispatched. Wind generation doesn't have to play by the same rules that apply to other generation sources such as coal-based generation. Semantics and bias have allowed wind and coal generation assets to be treated differently in most power pools in the country. Forecasting wind is difficult for grid operators. Today, many power pool participants reduce generation from certain wind assets at any time with little to no pool-related penalties. Accounting for these contingencies leads to price spikes, reliability issues and inefficient operation of pool generating resources. The volatility of wind generation brings extreme uncertainty for daily resource operation in the power pool. Unlike natural gas generation, coal units cannot cycle on and off the same way. They need potentially days' notice to come on and offline. A typical high wind day will result in very low or negative power pool prices for energy. This will cause coal units to be backed down to minimum generation levels and subsequently incur financial losses. However, these units cannot be taken off line because the very next day, when wind drops to low levels, they will be needed to supply power to the grid.

While wind is subsidized through tax incentives and power pool bias, the power pool provides no just compensation for coal to be on standby as an offset to the losses incurred when the wind blows. Additionally, wind levels can change abruptly throughout the day, forcing fossil fuel-based generation to start up or "ramp up" from lower generation levels. The power pool currently does provide some compensation for generation assets in reserve, but does not compensate for the value of "ramping up." Both "standby baseload" and "ramping up" will need to be compensated more equitably or baseload generation will not be there to keep the lights on. We can't keep baseload power plants running without compensation and less interference from the government. This is the next installment payment ratepayers will make over the next decade to support "renewable energy".

The laws of physics still apply to AC electric power even in the green age. A rotor must turn inside of a stator to make electric power. It must be of size and scale or quantity to meet all of the power demand in a power pool or on a grid and at the right voltage. If not, the grid will collapse and there will be blackouts. The past 20 years of government policy has been hard on the backbone of our electric grid, cheap and reliable coal-fired baseload power plants. Few companies have had the fortitude to build new ones, let alone invest in improvements to their existing fleet of plants to keep them running. It is easier to mothball the plant and rely on someone else in the power pool or grid to have that baseload power you need when the wind isn't blowing or the sun isn't shining. The problem is that sooner or later you run out of "someone else's" in the power pool.

Engineering & Operations • Bob Kratz

Manager of Operations

Another round of storms hit again and caused some damage to some of our transmission structures east of the Cerro Gordo Town Hall on July 9th. This affected Watson and Madison Substations around 9 p.m. Other than the transmission, which was back fed to allow for the repairs to be made, there were very few individual outages. Then around 10 p.m. that same evening, there was excessive lightning in the Vallers, Wood Lake and Echo area, which caused an interruption on the transmission line. This line also caused a 15 minute outage out of the Lisbon Substation. We thank you for your patience when these events occur. These outages were mainly caused by the wind and lightning. Last month's outages had to do a lot with trees and branches getting in the power lines. If you happen to notice a potential problem with trees and/or branches, we would appreciate a call so we can take care of them.

The line crews are working on a three phase tie line north of Dawson that will help with back feeding between Riverside, Madison and Watson Substations if ever needed. They are also busy with service upgrades for consumers and pole change outs that have been turned in by the pole treating crew. H two thirty zero one Some of these poles need immediate attention since they are in bad shape, with wood rot or mechanical damage.

Our office has gotten quite a few inquiries for service changes, etc. from consumers who have been put on hold until a later date. If you are one of these consumers, or if you are thinking of updating something on your service, we encourage you to do so soon.

When calling in, you may be talking to Eric Wollschlager, who has taken over as System Coordinator. Eric has been an asset to your cooperative as a Journeyman lineman for over 15 years and will continue to be in his new position. In addition to his inside duties, he will also be involved in Gopher State locates, helping with staking line and meeting with you on service changes.

Comparison of Current and New Rates

Current Rates		New Rates Effective September 1st, 2017	
Single Phase Service			
Availability Charge	$20.00/*month*	**Availability Charge**	$22.00/*month*
Energy Charge		**Energy Charge**	
First 700 kWh	$0.1163/*kWh*	First 700 kWh	$0.1236/*kWh*
Over 700 kWh	$0.0974/*kWh*	Over 700 kWh	$0.1036/*kWh*
Three Phase Service < 25 kW			
Availability Charge	$47.00/*month*	**Availability Charge**	$49.00/*month*
Energy Charge		**Energy Charge**	
First 700 kWh	$0.1163/*kWh*	First 700 kWh	$0.1236/*kWh*
Over 700 kWh	$0.0974/*kWh*	Over 700 kWh	$0.1036/*kWh*
Three Phase Service ≥ 25 kW			
Availability Charge	$47.00/*month*	**Availability Charge**	$49.00/*month*
Demand Charge	$11.34/*kW*	**Demand Charge**	$12.50/*kW*
Energy Charge		**Energy Charge**	
First 100 kWh/kW	$0.0700/*kWh*	First 100 kWh/kW	$0.0700/*kWh*
Over 100 kWh/kW	$0.0518/*kWh*	Over 100 kWh/kW	$0.0500/*kWh*
Seasonal Service			
Availability Charge	$20.00/*month*	**Availability Charge**	$25.00/*month*
Energy Charge		**Energy Charge**	
First 700 kWh	$0.1558/*kWh*	First 700 kWh	$0.1958/*kWh*
Over 700 kWh	$0.1463/*kWh*	Over 700 kWh	$0.1658/*kWh*
Irrigation Single Phase Service			
Availability Charge	$40.00/*month*	**Availability Charge**	$42.00/*month*
Energy Charge		**Energy Charge**	
First 700 kWh	$0.1283/*kWh*	First 700 kWh	$0.1685/*kWh*
Over 700 kWh	$0.1057/*kWh*	Over 700 kWh	$0.1385/*kWh*
Irrigation Three Phase Service			
Availability Charge	$47.00/*month*	**Availability Charge**	$49.00/*month*
Demand Charge	$11.34/*kW*	**Demand Charge**	$12.50/*kW*
Energy Charge		**Energy Charge**	
First 100 kWh/kW	$0.0741/*kWh*	First 100 kWh/kW	$0.1052/*kWh*
Over 100 kWh/kW	$0.0572/*kWh*	Over 100 kWh/kW	$0.0752/*kWh*
Dual Heat			
Energy Charge		**Energy Charge**	
October - April	$0.0440/*kWh*	October - April	$0.0440/*kWh*
May - September	$0.0740/*kWh*	May - September	$0.0790/*kWh*
Electric Heat			
Energy Charge		**Energy Charge**	
October - April	$0.0480/*kWh*	October - April	$0.0480/*kWh*
May - September	$0.0780/*kWh*	May - September	$0.0830/*kWh*

Comparison of Estimated Monthly Bills: Single Phase Service

kWh/Mo	Bill Increase	kWh/Mo	Bill Increase	kWh/Mo	Bill Increase
-	$2.00	750	$7.42	2,000	$15.17
250	$3.83	1,000	$8.97	5,000	$33.77
500	$5.65	1,600	$12.69	10,000	$64.77

Member Services • Bob Walsh

Member Services Manager

Keep Your Cool

Did you just spend a hot July with an HVAC system that didn't quite cut it? The transition period from cooling to heating is an excellent time to evaluate whether or not you need a new heating or cooling system. If your furnace is 15-20 years old or more, a new system can probably lower your heating and cooling costs by a fair amount. As with buying anything new, replacing your furnace or air conditioner can raise a lot of questions.

- What is the best system for me?
- How big of a system do I need?
- What do all of these terms and acronyms mean?
- How much does it cost?
- Is one particular system right for me?

There is a multitude of ways to heat and cool your home, but generally only one size of a system that you need. Your home either gains heat in the summer or loses heat in the winter. The trick is to know how many BTUs it is going to gain on the hottest day of summer and how many BTUs it is going to lose on the coldest day of winter. The amount of BTUs entering or leaving your building have to be compensated for by the building's HVAC system. The building heat loss or heat gain will dictate what size of a unit needs to be installed in your home. Statistics vary, but as many as 1/3 of all heating and cooling units may be oversized or undersized. Systems that are not sized to your home will cost you money. Replacing your old heating and cooling equipment with new, energy-efficient models is a great start. J three twenty zero three But to make sure that you get the best performance, the new equipment must be properly installed. In fact, improper installation can reduce system efficiency by up to 30 percent—costing you more on your utility bills and possibly shortening the equipment's life.

If you are shopping for a new heating system, you may wonder where to start. Our recommendation is to start by doing your research. On any given day in the Member Service Department, we answer dozens of questions about heating, cooling and energy conservation. These three go hand in hand. If you have a question about a new system, please give us a call. Another good option would be to tap into the wealth of information from your local electrical, plumbing and heating contractors.

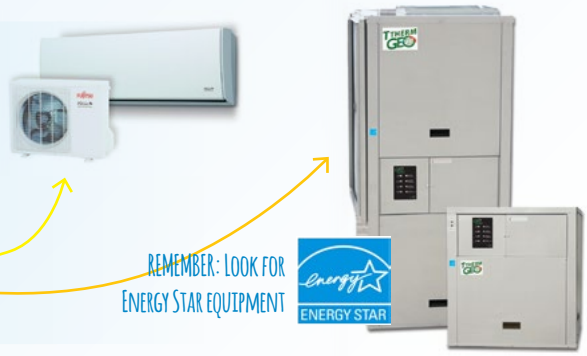
Now is the time to install a new heat pump system. From now through Labor Day, Minnesota Valley Cooperative is offering a ***DOUBLE REBATE*** on that installation. The unit has to be installed by Labor Day of this year. Summer is slipping by, so now is the time to act on this rebate offer.

Summer Double Rebate Days End This Labor Day

Take advantage of this limited time opportunity by installing a heat pump heating and cooling system at your home or business before Labor Day *(September 4th)*!

Get a rebate of **$12 per 1,000 Btus** *for Air Source Heat Pumps*

Get a rebate of **$24 per 1,000 Btus** *for Geothermal Heat Pumps*



Comparative Report

	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 1997
Kwh Purchased	102,427,945	101,426,687	70,819,790
Kwh Sold	97,236,476	96,377,139	66,728,796
Cost Of Purchased Power	$4,851,076	$4,472,553	$2,132,707
Patronage Capital Margins	$273,188	$950,464	$66,384
Reserve For Taxes	$137,500	$137,500	$175,000
Cost Per Kwh Purchased (mills)	47.36	44.10	30.11
	June '17	**June '16**	**June '97**
Total Plant	$70,228,584	$67,985,298	$29,085,011
Number of Active Services	5,274	5,257	5,159
Average Residential Bill	$178.39	$184.23	$90.65
Average Residential Kwh Consumption	1,513	1,583	1,278
Average Kwh Usage All Consumers	2,633	2,750	1,761
Peak Kw Demand (Peak Load)	28,650	29,235	22,354

Find Your Location for a $10 or $20 Bill Credit!

There are two hidden account numbers in this newsletter. If one of them is your number, you will receive a $10 energy credit or $20 if you are an Operation Round Up participant. Keep looking each month–it could be your number! If you find your number in the newsletter, call the office at 320.269.2163 or 800.247.5051.

Congratulations to Daniel Schmidt of Wood Lake who identified his location and will receive a $10 credit off his energy bill!

Office Hours
8:00 a.m. - 4:30 p.m.
Monday through Friday

24-Hour Telephone Answering
320.269.2163
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