



MANAGER'S MESSAGE // PAT CARRUTH



General Manager

What a Nice Fall

It has been surprisingly good weather this fall after a late spring and wet summer.

Harvest is coming to a close and the system held up well under light load drying conditions. As you know, Mother Nature and advanced seed genetics did most of the corn drying again this year. We continue to work on the balance of our maintenance and construction projects that were in our work plan for the year and hope to close those up by year end.

Retail Rate Increase for 2026 will be 12% on Average

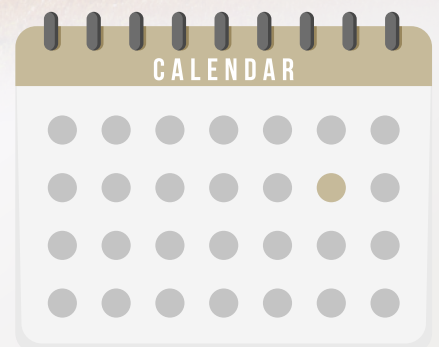
We will be working through a Cost-of-Service Study and associated rate design for 2026 with the Board this past month. We have an aggressive Construction Work Plan for 2025-2028, adding about \$10 million in plant per year. Most of this construction is rebuilding transmission line. We also have some pretty good rate increases in our wholesale power costs from Basin Electric in the next couple of years as they have begun building our next generation of power plants. Insurance and other general operating costs have increased substantially as

well. When we put these increased input costs into the budget, we know we will need a 12% increase in retail rates to cover those increased costs and allow us to continue to a good pace of capital credit retirements. The purpose of a Cost-of-Service Study is to make sure we are allocating and distributing those costs equitably between the different retail-rate classes of service. Anyway, we will have our Work Plan and Budget and proposed associated retail rates for 2026 to the Board for final approval at the November meeting.

Trimming Future Problems

As you know, for electric utilities, most of the outages are weather related and Minnesota Valley is no different. We do the best we can to control the effects of weather on our system by the way we take care of it. One way we do that is by working to keep up on our vegetation management/tree trimming right-of-way maintenance program.

We try to rotate through our system at least every five years and like to be closer to every four years. With



Important Dates

Caucus Meetings

Thursday, February 5th, 2026

District 7: Wayne Peltier

– 10:30 AM at Cottonwood
Community Center

District 5: Darryl Bursack

– 1:30 PM at Clarkfield City Hall

2026 Annual Meeting

Saturday, March 21st

Prairie's Edge Casino

Manager's Message (continued from page 1)

3,000 miles of distribution line and 240 miles of transmission line, to keep trees out of it is a big project for us. Our goal is to trim trees back far enough so they will not have grown into the line by the time we get back around. When the trimming crews come through and ask permission to trim the trees, please let them take what they need. The payoff is that you and your neighbors will have a better chance of having lights on during and after ice storms and heavy windstorms.

The contractor we use is our solely owned Minnesota Valley Tree Service based out of Granite Falls. They have a Certified Arborist on staff and are skilled in their craft. We feel maintaining proper clearance is one of the most effective steps we take around here to keep your power reliable. For the balance of this year, our trimmers are on the northwest quadrant of our system. When planting your

trees, choose varieties with care and please plant with power lines in mind. As a rule, do not plant trees within 25 feet of a pole to give the power lines plenty of space.

Prepare for Winter

Get your heating system tuned up—whether gas, oil or electric. Give us a call to get on the schedule. A finely tuned heating system can not only save you money, but it will also give you a better chance of making it through the winter without a problem.

Veterans Day Observed on November 11th

Thank you to all Military Veterans who have served our country in the U.S. Armed Forces. We appreciate your service and sacrifice.

Have a blessed Thanksgiving!

Infrastructure Costs

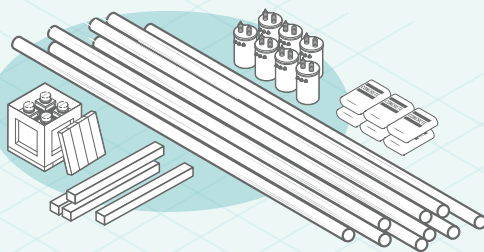
The past five years have been a period of exploding costs for the electric utility industry, pushed by soaring demand, supply chain challenges, raw materials shortages, increased labor costs and tariffs. I three twenty-three zero two A The impact has been rapid increases in the cost of producing power, longer and more unpredictable project timelines and the need for more financing, all of which have driven electric rates up for residences, businesses and other end-users. Here's a look at what's contributing to the trend.

Percent increase since 2020

Sources: BLS; energynews.com; Reuters; Wood Mackenzie; NREL; IEA

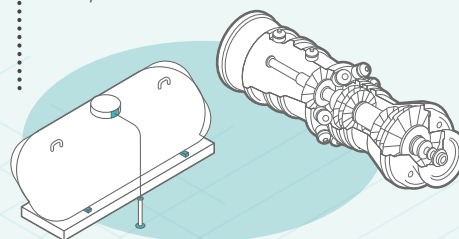
● Infrastructure

Utility poles (wood, steel, composite)	+25–40%
Crossarms & braces (steel/wood)	+20–35%
Conductor wire (aluminum/copper)	+30–50%
Transformers	+70–100%
Grain-oriented electrical steel	+80–100%
Oil/dielectric fluids	+25–40%
Copper wiring	+50%
Concrete	+25–35%
Smart meters	+20–35%
Pad-mounted switchgear	+25–40%
Circuit breakers/reclosers	+20–35%



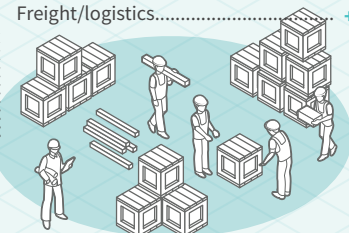
● Generation

Diesel gensets	+20–40%
Gas turbines	+20–30%
Hydropower components	+20–30%
Battery storage	+25–40%
SCADA/EMS systems	+20–30%
Inverters	+20–30%
Relays & switchgear	+25–40%
Natural gas	+20–120%
Coal	+30–60%
Diesel/fuel oil	+40–70%



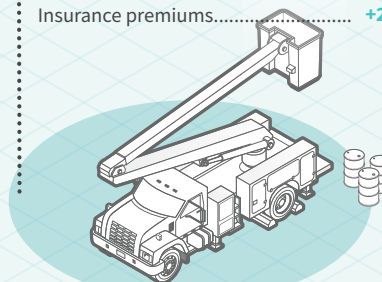
● Build-outs

Utility construction labor	+20–40%
Freight/logistics	+30–60%



● Fleets

Light trucks	+25–40%
Bucket trucks, digger derricks	+20–50%
Fuel costs (especially diesel)	+20–30%
Maintenance	+15–25%
Insurance premiums	+20%



Comparative Report

	Jan-Sept 2025	Jan-Sept 2024	Jan-Sept 2005
Kwh Purchased	171,842,562	165,432,222	114,892,712
Kwh Sold	162,502,918	157,079,109	107,100,111
Cost Of Purchased Power	\$9,828,290	\$8,627,316	\$3,105,353
Patronage Capital Margins	\$1,262,881	\$1,147,679	\$370,239
Reserve For Taxes	\$254,997	\$198,000	\$131,400
Cost Per Kwh Purchased (mills)	57.19	52.29	27.03
	September '25	September '24	September '05
Total Plant	\$111,175,125	\$103,064,477	\$40,291,754
Number of Active Services	5,332	5,318	5,256
Avg. Residential Bill	\$232.40	\$206.78	\$104.32
Avg. Residential Kwh Consumption	1,436	1,414	1,341
Avg. Kwh Usage All Consumers	2,933	2,790	1,955
Peak Kw Demand (Peak Load)	31,609	30,901	22,942

Minnesota Valley will be closed the following dates:

- ▶ November 11th for Veterans Day
- ▶ November 27th for Thanksgiving

ENGINEERING & OPERATIONS // TODD BOLKEMA

Engineering & Operations Manager



Substation transformers are vital components in our power system and their reliability is crucial for uninterrupted power supply. These transformers are about 10 feet tall, hold up to 2,000 gallons of oil and weigh 50,000 pounds.

We use Dissolved Gas Analysis (DGA) as a diagnostic tool to monitor their health. By analyzing the gases dissolved in the insulating oil, DGA provides insights into the internal condition of the transformers.

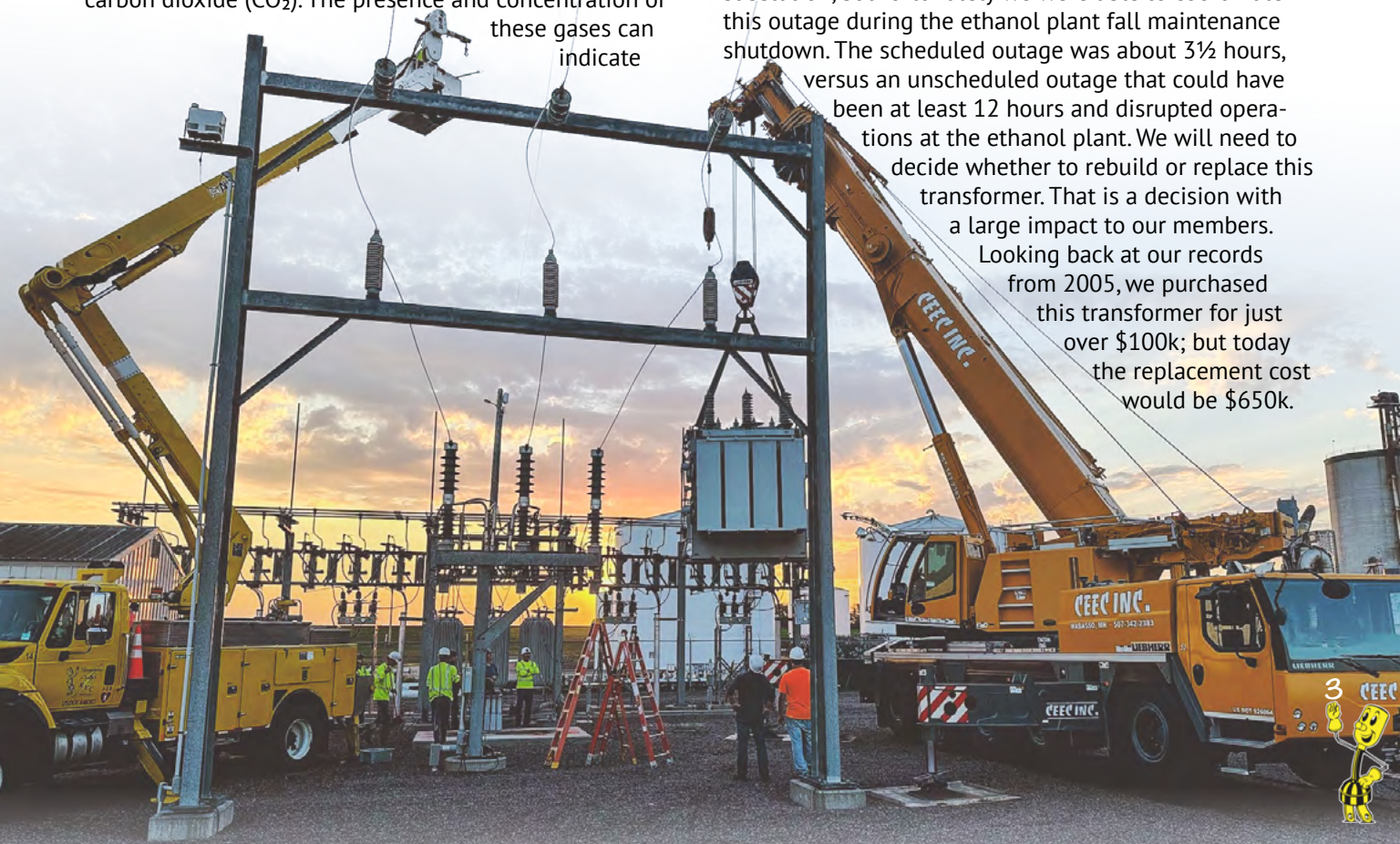
DGA involves the detection and quantification of gases produced within the transformer oil due to various types of electrical and thermal faults. These gases include hydrogen (H₂), methane (CH₄), ethane (C₂H₆), ethylene (C₂H₄), acetylene (C₂H₂), carbon monoxide (CO) and carbon dioxide (CO₂). The presence and concentration of

these gases can indicate

specific types of faults, such as arcing, overheating and insulation degradation. This enables early fault detection, just in time maintenance, improved reliability and safety and compliance with industry and insurance standards.

With DGA, we could see that the substation transformer at Chapman Substation was failing. So, we replaced it with the spare transformer early in the morning on October 2nd (see picture below). Since 2024, the DGA has shown steadily increasing combustible gases that are a sign of an internal hot spot. We checked it with the thermography camera hoping the problems were caused by one of the replaceable bushings, but the heat signatures showed that the problem is deep inside the windings.

This transformer change involved a power outage at the substation, but fortunately we were able to coordinate this outage during the ethanol plant fall maintenance shutdown. The scheduled outage was about 3½ hours, versus an unscheduled outage that could have been at least 12 hours and disrupted operations at the ethanol plant. We will need to decide whether to rebuild or replace this transformer. That is a decision with a large impact to our members. Looking back at our records from 2005, we purchased this transformer for just over \$100k; but today the replacement cost would be \$650k.





Member Services Manager

Crank Up the Heat

It's that time of the year again. It sure seems like we were just running the air conditioner, but now we have to start turning up the heat. Today, you face many decisions about types of heating systems and which fuel source is the right choice. How much heat do you need? How does a particular system work? I could go on with hundreds of potential questions you may have. At Minnesota Valley, we work with heating systems daily and think electric heat is an economical, safe and easy way to heat. Electric heat has changed drastically in the past few years. You can still get the conventional baseboard heaters, but you can also install a state of the art heating and cooling system. N three twenty-eight zero one B You will find the many different types of electric heat listed below. If you're in the market for a new heating system, please contact either Minnesota Valley REC, your local electrical contractor or HVAC contractor.

Types of Electric Heat

- ✓ **Baseboard Heaters** - The old standby of heating for years.
- ✓ **Cove Heaters** - This type of radiant heat is conveniently located near the ceiling of the room.
- ✓ **Ceiling Radiant Heaters** - Many types of ceiling radiant heaters are available.
- ✓ **Fan Forced Space Heaters** - Made in almost any shape or size.
- ✓ **Fan Forced Central Heaters** - Commonly called electric furnaces or plenum heaters.
- ✓ **Hot Water Heating Systems** - Also known as boilers.
- ✓ **Underslab Heating** - Heating your cement slab is becoming an increasingly popular form of heat.
- ✓ **Air To Air Heat Pump** - A heat pump system is not only an efficient energy saver, but its reliability makes it an all season heating and cooling system.
- ✓ **Ground Source Heat Pump** - The ground source heat pump utilizes water as a medium for heat transfer.

Come and Get It

You should be able to find just about anything to meet your heating needs with the above list. Minnesota Valley is here to help you with this season's heating requirements. Please contact us for help with planning your heating system or lining up installations through our many qualified local electrical and HVAC contractors. All permanently installed electric heat qualifies for either our Electric Heat rate or Dual Heat rate. These rates make electric heating a very reasonably priced heat source. Call the Member Services Department at 320.269.2163 now for all of the details!



Find Your Location Number

If you find your location number in this newsletter, you will receive a bill credit that starts at \$10 (*Operation Round Up* participants get an additional \$10 bonus). If no number is claimed before the 25th of the month, the unclaimed amount **rolls over into the next month**. If both location numbers are claimed in a month, the recipients will split the credit. Once claimed, we will start again at \$10. If you find your number, call 320.269.2163 or 800.247.5051.

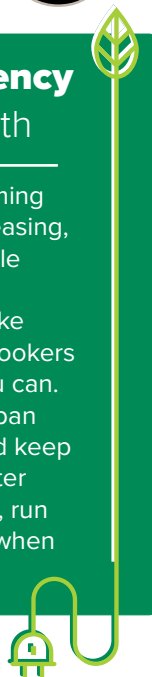


Congratulations to **Eric Shelstad** and **Alice Vick** who both found their number last month and received \$10 (Alice received an additional \$10 for being an *Operation Round Up* participant). If you find your number, claim by the 25th of November to be eligible for:



Energy Efficiency Tip of the Month

With the holidays coming and kitchen use increasing, try saving energy while cooking. Use smaller, efficient appliances like toaster ovens, slow cookers or air fryers when you can. On the stove, match pan size to the burner and keep burners clean for better heat use. After meals, run the dishwasher only when it's fully loaded.



Office Hours

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

24-Hour Telephone Answering

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