



MCLEOD CO-OP POWER BOARD AUTHORIZES \$275,000 CAPITAL CREDIT RETIREMENT

Members are owners in cooperatives, and unlike investor-owned electric utilities that are designed to make profits for shareholders, profits are allocated to members as capital credits. The Cooperative then uses the allocated capital credits to maintain and operate the electrical system until the time that they are retired.

The process that the Cooperative pays back members for their capital credit investments is called General Retirement. This is calculated through a retirement schedule where the oldest year in that schedule will receive the remaining balance of their unretired capital credits and 20% from the last fiscal year. This means we are using 80% of your most recent allocation for roughly the next two decades before that given year's allocation is fully paid out.

At the September meeting, the Board of Directors approved the general retirement of capital credits of approximately

\$275,000. The general retirement included the remaining unretired capital credits from 2005 and 20% of the allocated McLeod Co-op capital credits from 2023.

The refund will show up as a bill credit on your December power bill for active members, and inactive members will receive a check. Please contact our office during regular business hours at (800) 494-6272 if you have any questions.

A defining feature of your Co-op membership and a principle that guides us is your economic participation. Capital Credits are quantifiable proof that as a member of McLeod Co-op Power, you are an owner of a successful, effective organization.

ATTENTION LOAD MANAGEMENT PARTICIPANTS:

McLeod Co-op Power is continuing with its multi-year initiative of replacing the radio receivers that are utilized as part of load control events. Existing receivers are being replaced with models that integrate with our new load control system. These receivers are being replaced at no cost to participating Load Management members. We have recently contracted with several electricians to assist our electricians in meeting the replacement deadline.

These contractors will have a McLeod Co-op logo decal on their vehicles when working for our cooperative and their work can be completed outside of any home or buildings by accessing the existing exterior radio receivers. Members will be notified with an automated call prior to the subcontractors working in any given township. We appreciate everyone's assistance as we move ahead with the replacement process. If you have any questions, please contact the us at (800) 494-6272.



UNDERSTANDING THE GREEN ELECTRICAL BOX IN YOUR YARD

The green electrical box you see in your yard or neighborhood is a pad-mount transformer. These transformers are essential for distributing electricity safely and efficiently, especially in areas where power lines are buried underground.

Here's what you need to know:

- **What it Does:** Converts high-voltage electricity to a lower voltage, making it safe for use in homes and businesses.
- **Location:** Found at ground level, housed in a steel cabinet, usually mounted on a concrete pad.
- **Safety Risk:** The inside contains high-voltage components that are extremely dangerous to touch.

It's important to stay safe around these transformers. Follow these simple safety tips:

- **Avoid Contact:** Never touch or try to open these boxes, even if they appear damaged or unlocked.
- **Keep Children Away:** Remind your family to avoid playing near them.
- **Report Issues:** If you see a damaged or open transformer, call 911 and your local electric utility immediately.

Your awareness helps protect the community and keeps the power flowing safely to your home.

NOTICE OF GENERAL RATE INCREASE

RATE SCHEDULES	CURRENT RATES	2025 RATES
FARM AND GENERAL SERVICE SINGLE PH (R2)		
System Delivery Charge (SDC)	\$41.00/mo.	\$47.50/mo.
Energy Charge: Summer (June-August)	\$0.13100/kWh	\$0.14000/kWh
Energy Charge: Other Months	\$0.12100/kWh	\$0.13000/kWh
INTERRUPTIBLE AND STORAGE ENERGY (R3)		
Energy Charge	\$0.0680/kWh	\$0.07300/kWh
FARM AND GENERAL SERVICE THREE PH (R5)		
System Delivery Charge (SDC)	\$61.00/mo.	\$86.00/mo.
Energy Charge: Summer (June - August)	\$0.1257/kWh	\$0.1274/kWh
Energy Charge: Other Months	\$0.1149/kWh	\$0.1174/kWh
CONTROLLED IRRIGATION (R9)		
System Delivery Charge (SDC)	\$73.00/mo.	\$100.00/mo.
Non-Coincidental Demand	\$7.20/kW	\$7.20/kW
Excess Demand Penalty: (June - August)	\$35.64/kW	\$35.64/kW
Excess Demand Penalty: (September - November and March - May)	\$18.73/kW	\$18.73/kW
Excess Demand Penalty: (December - February)	\$15.86/kW	\$15.86/kW
Failure to Control Penalty	\$5.00/kW	\$5.00/kW
Energy Charge	\$0.06440/kWh	\$0.06440/kWh
OPTIONAL PEAK ALERT (R14)		
System Delivery Charge (SDC)	\$137.00/mo.	\$137.00/mo.
Coincidental Demand: Summer (June - August)	\$35.64/kW	\$35.64/kW
Coincidental Demand: Winter (December - February)	\$27.11/kW	\$27.11/kW
Coincidental Demand: Other Months	\$18.73/kW	\$18.73/kW
Non-Coincidental Demand	\$7.20/kW	\$8.75/kW
Energy Charge	\$0.0644/kWh	\$0.0644/kWh
Excess Demand Charge	\$5.00/kW	\$5.00/kW
LARGE POWER (R19)		
System Delivery Charge (SDC)	\$137.00/mo.	\$137.00/mo.
Demand Charge: Summer (June - August)	\$19.20/kW	\$19.20/kW
Demand Charge: Other Months	\$15.60/kW	\$15.60/kW
Energy Charge	\$0.05100/kWh	\$0.05850/kWh
LIGHTS		
Street Light LED	\$13.50/mo.	\$14.85/mo.
Street Light 150 Watt HPS	\$22.20/mo.	\$24.42/mo.
Street Light 400 Watt HPS	\$28.50/mo.	\$31.35/mo.
Metered LED Yard Light	\$3.60/mo.	\$4.00/mo.
Unmetered LED Yard Light	\$6.80/mo.	\$7.50/mo.

CEO MESSAGE

Facing the Inevitable: A Reflection on Our Cooperative's Financial Journey

"This is where we are at." It's a hard truth, but it's the reality we're confronting. These were the words I found myself saying as we began to take a hard look at our financials and grappled with the necessity of a rate increase for 2025. Immediately after, the lyrics of a Talking Heads song came to mind: "Well, how did I get here?"

Reflecting on that very question, I began retracing the steps and decisions that brought us to this point. I arrived at the cooperative during the height of COVID—a challenging and unpredictable time for everyone. The cooperative was constructing a new headquarters, a \$9 million investment in our future. The project was completed ahead of schedule, and on budget. Meanwhile, our engineering team was finalizing a \$14 million work plan aimed at ensuring the continued safety and reliability of our electrical system.

While the new headquarters was fully funded with cash on hand, we secured loans for the next four years of grid investments. At the time, interest rates were historically low, and we took full advantage. By working closely with our lenders, we either paid off existing debt or refinanced other debt, saving our membership \$65,000 over the next 18 years.

We also maximized opportunities that arose during the COVID period. While there may be differing opinions on Payroll Protection Loans forgiveness and other government tax incentives, we did not leave those resources untapped. These efforts saved the cooperative approximately \$985,000.

The Cooperative's ownership interest in Heartland Security Systems has been bringing back increasing dividends. Over the past years we have seen an 118% increase in those dividends.

We expanded our operational partnership with the city of Arlington and recently started to help Brownston, bringing outside revenue to our membership, while providing



CEO RON MEIER

a cost-effective solution for these municipalities. Working in close coordination we can manage their needs for maintaining their electrical systems, and at the same time providing fill-in work for our linemen during slower periods of time.

Despite these strategic moves, our financial situation over the past few years continued to call for incremental rate increases that we now need to address. I believe we've communicated the cost pressures we've been facing over the past few years, so I won't dwell on that.

As we emerged from the pandemic, we made the decision to run the cooperative leaner than usual. By also maximizing deferred revenue of over \$1.38 million, from surplus years we experienced prior to COVID and 2021, we were able to delay rate increases and give our members a financial breather during a time when many other aspects of life became more expensive.

And now, here we are. We don't like the position we're in, but to keep our co-op financially healthy and sustainable, a rate increase is necessary. While we could have implemented smaller increases over the past few years that would have mitigated this increase, we would still be in the same place with our rates. It is where we are, and it is how we got here.

Cooperatively

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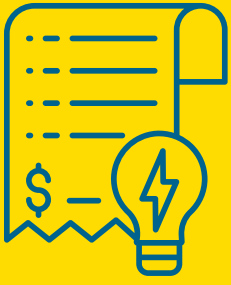
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OCTOBER 2024 BOARD MEETING HIGHLIGHTS

The Regular Meeting of the Board of Directors of McLeod Cooperative Power Association was held on October 22nd, 2024, at McLeod Coop headquarters. Nine board members, attorney, CEO Ron Meier, and department managers participated in the meeting.

Highlights of the meeting included:

- Manager of Finance Jakel reviewed the September financials.
- Manager of Finance Steph Jakel led a discussion on the proposed 2025 rate increase and presented the preliminary budget for review.
- A motion was carried approving Resolution 2024-10-02 Adoption of 2025 Rates.
- The outage report for the month of September was provided with a total of 53 outages, affecting 507 consumers.
- MCPA linemen shared their experiences helping Blue Ridge Electric Cooperative in South Carolina following the impact of Hurricane Helene.
- Member Service Manager Ehrke reported that five subcontractors have been hired to complete the Load Management radio receiver changeout project with work to begin in November.
- A motion was carried rescinding Policy 5-19 Employee Logo Shirts.



FREQUENTLY ASKED QUESTIONS: OVERVIEW OF THE 2025 RATE INCREASE



HOW MUCH OF AN INCREASE IS ANTICIPATED?

After careful consideration of the recently completed Cost of Service Study and financial forecasts, there is a need to increase overall revenue by roughly 12%.

WHEN WILL THIS CHANGE GO INTO EFFECT? It's anticipated that the new rates will take effect on January 1, 2025, and will appear on the monthly billing statements received in February.

WHY IS THE RATE INCREASE NECESSARY? The costs to provide power have continued to increase. One of the biggest factors is the increased costs of purchasing power from our wholesale energy provider, Great River Energy. The cost of purchasing power is roughly 60% of McLeod Co-op's entire budget, so even a modest increase in wholesale power costs has a significant impact. McLeod Co-op also is seeing continued inflation pressures for materials, fuel costs, and various other aspects of our operations. Additionally, for several years, the cooperative was fortunate to be able to utilize deferred revenues from previous years, which ultimately delayed the need to increase rates. Since these deferred revenues are no longer available, this loss of revenue plays a part in the rate increase.

WHEN WAS THE LAST TIME THE CO-OP HAD A GENERAL RATE INCREASE? In 2024, the cooperative implemented a rate increase that raised overall revenue by roughly 3.5%.

WHY ARE WE SEEING CONSECUTIVE YEARS OF RATE INCREASES? A multi-year approach was planned as early as 2023, utilizing a modest increase in 2024 and then another increase in 2025. This phased strategy allowed time to complete a thorough Cost of Service (COS) study. The COS study provided an in-depth analysis of revenue forecasts and rate modeling for each rate class.

HOW WILL THE INCREASE AFFECT MY BILL? All rate schedules are seeing an increase, which includes an increase in the System Delivery Charge and a slight increase in the energy charge. Page two of this

newsletter includes a breakdown of the increases for each rate class. This information can also be found on our website (www.mcleodcoop.com). We also have an online estimator for Rate 2, our Farm and General Services rate, that can provide an estimate on the anticipated increase based on the account's monthly electrical use.

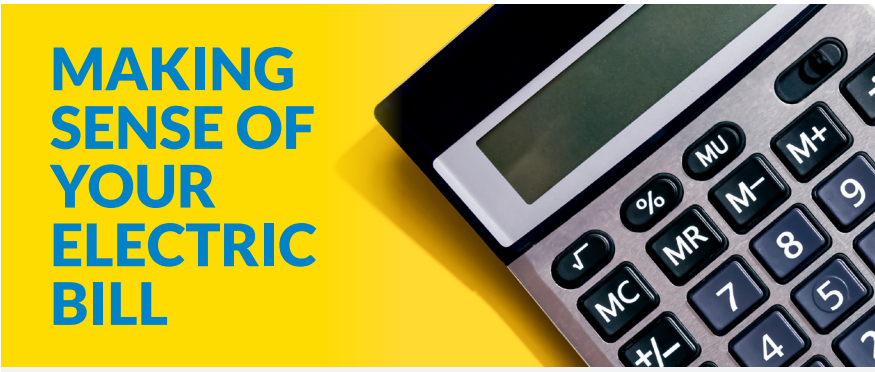
WHAT IS THE PURPOSE OF THE SYSTEM DELIVERY CHARGE? The System Delivery Charge (SDC) is a set (or fixed) amount that's on your bill every month, regardless of the amount of electricity that you use. It covers some of the costs for the materials (like wires, poles, and equipment) that bring power to your home, farm, or business. It also helps to pay for services like restoring power during outages.

WHAT IS THE BASIS OF THE ENERGY CHARGE? The amount of energy you use is multiplied by a rate called the per kilowatt-hour rate. It covers our costs for buying the electricity that members require, and some of the costs for operating our system that are not captured in our system delivery charge (SDC).

WHAT CAN MEMBERS DO TO REDUCE THEIR ELECTRIC BILL? The most direct way that all members can influence their electric bill is by reducing the monthly electricity that is consumed by appliances, heating/cooling, lighting, and electronic devices. SmartHub is a key account management tool that members can utilize to track consumption and manage their accounts. Enrolling in our load management programs can also provide savings.

We're encouraging members to contact us if they have questions about how they can reduce their bill. Members can also visit our website to register for SmartHub, learn about the various load management programs, and find energy saving tips (www.mcleodcoop.com).

HAS THE CO-OP'S NEW HEADQUARTERS CAUSED THE NEED FOR A RATE INCREASE? Although there are some depreciation expenses with the building, the



MAKING SENSE OF YOUR ELECTRIC BILL

new facility, completed in 2020, was largely financed using proceeds from the sale of the Co-op's Direct TV business. We are fortunate not to have any debt on the facility.

HOW WILL THE RATE INCREASE AFFECT MCLEOD CO-OP'S PROFITS? We are a not-for-profit, member-owned electric cooperative. If there are any profits at the end of the year, they are allocated back to you in the form of capital credits.

SHOULD I BE CONCERNED ABOUT THE COOPERATIVE'S FUTURE STABILITY? No, periodically the Co-op must raise rates to ensure we collect sufficient revenues to cover our costs. We continuously review our financial projections to ensure that the Cooperative remains in a positive financial standing.

If you have any questions about the upcoming rate increase, we encourage you to contact us.

 **LEARN MORE**
www.mcleodcoop.com/about/2025-general-rate-increase/

Below are the three major components of your electric bill to ensure members have a good understanding of what makes up your bill and how each of these areas relate to the approved rate increase.

1. SYSTEM DELIVERY CHARGE (SDC)

The System Delivery Charge is a flat fee on your bill every month. It doesn't change regardless of the amount of electricity that you use. It covers some of the costs for the wire, poles, transformers, and other facilities that are ready to bring power to you. We have faced continued inflation pressures on materials and other operating costs over the past few years.

2. ENERGY CHARGE

This is the charge that is determined by the amount of energy (kilowatt-hours) you use. The amount of energy you use is multiplied by a cents per kilowatt-hour rate. It covers our costs for buying the electricity from our wholesale providers and the rest of the fixed costs that are not captured in our SDC. The largest expense to our co-op is the energy we purchase for our members from Great River Energy (GRE) and Western Area Power Administration (WAPA). It is roughly 62% of our annual budget. GRE's wholesale rates have increased over 20% since 2020. We have also seen increases from WAPA.

3. POWER COST ADJUSTMENT (PCA)

The PCA can either be a charge or credit on your monthly bill. It is used to manage the variability of the costs to purchase electricity from our suppliers each month. Some of the variability we see comes from non-typical seasonal weather across the mid-west region.



BOARD APPOINTMENT ANNOUNCEMENT

The McLeod Co-op Power Board of Directors has appointed Jeff Kosek to fill the vacant District 2 board seat following the resignation of Joe Griebie. Mr. Kosek will serve until the next election, which will be held in conjunction with the 2025 annual meeting.

A long-time resident of Collins Township near Brownton, Mr. Kosek has been a member of McLeod Co-op Power for over 40 years. With a background in farming, his experience includes serving on the Northarvest Dry Bean Growers board, the American Fertilizer Research and Educational Committee, and as the Collins Township Supervisor and Chairman. He has also held leadership roles with the Brownton Co-op, the FSA County Board, and the McLeod County Corn Growers Association.

We are excited to welcome Mr. Kosek and look forward to his contributions to the board!

RESTORING POWER AND HOPE: MCLEOD CO-OP AIDS IN HURRICANE HELENE RECOVERY



When Hurricane Helene hit the Southeast, the damage was devastating, leaving millions of people without power. McLeod Co-op Power stepped in to help, joining 17 other Minnesota cooperatives to send a total of 80 line workers to restore electricity to the hardest-hit areas.

McLeod Co-op's team was assigned to work with Blue Ridge Electric Cooperative in South Carolina, a region known for its rugged, mountainous terrain. The landscape, covered in steep slopes and dense forests, reminded the linemen of northern Minnesota. But the destruction was something they had never seen before—over 800 broken poles and miles of power lines down. More than 50,000 homes and businesses were without power.

Travel to the region was a challenge in itself. It took our team 31 hours to drive to South Carolina, navigating road closures, washed-out bridges, and missing sections of interstate. Once they arrived, they were ready to jump into action. They were part of a massive effort with over 700 linemen from

across the country, split between two outposts. McLeod Co-op's crew worked alongside Wright-Hennepin Cooperative, directed by a local Blue Ridge employee known as a "birddog" to ensure the most urgent repairs were addressed.

The conditions were tough—16-hour days of hard labor in hot, humid weather with temperatures in the 80s—but the camaraderie among the linemen and the gratitude of local residents kept spirits high. Although the crews slept in tents or retrofitted bunk trailers, they were well taken care of with bagged lunches during the day and hearty dinners waiting for them each evening, along with access to mobile shower and laundry facilities.

Most of the McLeod Co-op crew's time was spent stringing wire back up onto poles within right-of-ways that had already been cleared of fallen trees. Thanks to the work of other crews, the lines were accessible, allowing our team to work efficiently and help restore power faster.



“We prioritize helping others for the day will come when we need help outside of our capacity. It also gives our line crews an opportunity to meet other line personnel while working on other systems, which provides some great on-the-job training. Although the hours are long and the work can be difficult, it allows us to reflect and be thankful as well,” shared McLeod Co-op’s Operations Manager Emerson Brady.



After five days of hands-on work and four days of travel, our McLeod Co-op crew returned home with a deep sense of pride and accomplishment. Their efforts embodied the true spirit of cooperation, proving that when disaster strikes, we’re always ready to step up and lend a hand wherever it’s needed.



THE NEW YEAR IS ALMOST HERE GET YOUR CALENDAR

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McLeod Cooperative Power 2025 calendars are now available featuring scenic landscape photos from our service territory!

Stop by the office to pick up a copy today. Calendars are available on a first-come, first-serve basis while supplies last.



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ENERGY EFFICIENCY

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If you’re heading out of town during the holiday season, remember to set your home to vacation mode. You can save energy while you’re away by lowering your thermostat a few degrees or creating an “away” schedule with a smart thermostat. Newer water heaters include a vacation mode setting to help you save on water heating costs, or you can simply lower the temperature manually. Small actions also stack up to energy savings. Unplug devices that consume energy when they’re not in use, including phone chargers, toothbrush chargers, TVs and gaming consoles.



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KEEP IT COZY WITH EIGHT EASY WAYS TO SAVE THIS WINTER

As winter approaches in Minnesota, energy costs can rise quickly. By taking a few simple steps around your home, you can keep your energy bills manageable without sacrificing comfort. Here are eight easy tips to save energy and money this winter.



1. SEAL WINDOWS AND DOORS

Gaps around windows and doors allow cold air in, forcing your heating system to work harder. Use weatherstripping or caulk to seal any gaps and install a door draft stopper.

2. USE A SMART THERMOSTAT

Lower the heat by 7 to 10 degrees when you're asleep or away from home, and set it to warm up before you wake up or return. This can save up to 10% on heating costs.

3. REVERSE CEILING FANS

Set ceiling fans to rotate clockwise in the winter, which pushes warm air down into the room and keeps you warmer without needing to turn up the thermostat.

4. CLOSE OFF UNUSED ROOMS

Close doors and vents in rooms you don't use regularly, reducing the area your heating system needs to warm, which helps it run more efficiently.

5. MAINTAIN YOUR HEATING SYSTEM

Regular maintenance, like changing filters monthly and scheduling professional inspections, ensures your furnace or boiler operates efficiently.

6. USE SPACE HEATERS WISELY

Consider using space heaters in occupied rooms instead of heating the entire home, but always follow safety guidelines and never leave them unattended.

7. LET THE SUN IN

Open curtains on south-facing windows during the day to let sunlight naturally warm your home, and close them at night to keep the cold out.

8. COOK AT HOME

Using your oven helps warm the kitchen. After cooking, leave the oven door open (once it's off) to let the heat spread through the room.

If you're taking steps to save energy but continue to see major increases in your bills, give us a call at (320) 864-3148. McLeod Co-op Power's energy management experts can help identify areas and recommend next steps for savings, including energy management programs and efficiency upgrades.

By making these small changes, you can stay warm and keep your energy bills in check this winter!