



Generation Resources to Meet Summer Peaks

Joel Janorschke
General Manager

You may have seen articles recently about the potential for rolling power outages across the West and Midwest that could be triggered by a combination of insufficient generation, increased demand for power, and warmer than normal temperatures expected this summer across the footprints of Regional Transmission Organizations (RTOs). While no one can predict what extreme weather could be coming our way this summer, or unexpected issues with generation units, electric co-ops in our area are confident that we will have enough generation to meet our electric needs.

This article aims to give a bit of background on RTOs and the role they play in serving power to this region's consumers, discuss potential power supply impacts to this region through the summer as well as outline lessons learned from the 2021 energy emergency.

History of Power Delivery in our Region

Decades ago, when electric cooperatives were created to bring power to rural America, there were few electric generation options available. In our region, electric cooperatives worked together to access hydropower from the dams on the Missouri River and later created East River Electric Power Cooperative and Basin Electric Power Cooperative to fulfill their power needs long into the future. In the past, when we needed more generation because of economic growth, we built

it. We still own and build generation units, but the operation of the grid that serves our region changed significantly about 7 years ago. East River Electric, Basin Electric, and the Western Area Power Administration (WAPA) sells hydropower from the dams all entered the Southwest Power Pool (SPP), an RTO that allows utilities to work together to provide the most efficient and cost-effective generation and transmission services to control costs.

Southwest Power Pool Expects to Have Enough Generation this Summer

The SPP is the organization that oversees the bulk electric grid and wholesale power market serving most of the electric cooperative consumers in South Dakota. According to a press release from SPP on May 12, the organization said it "expects to have enough generating capacity to meet the regional demand for electricity through the summer season." For the season June to September 2022, SPP anticipates that demand for electricity will peak at 51.1 gigawatts. A diverse fleet of generation units will be prepared to serve at least 55.5 gigawatts of demand, according to SPP.

SPP assesses electricity supply and demand from a high-level, regional perspective and bases its studies on data provided by generator and transmission owners and member utilities who directly serve residential, commercial, and industrial customers. While SPP anticipates sufficient resources to

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Energy Saving Tip

Laundry Tip: Dry towels and heavier cottons separately from lighter-weight clothing. You'll spend less time running the dryer for lighter-weight items, which saves energy.

Source: U.S. Dept. of Energy



Mark Your Calendar

- July 4 Closed
- July 15 June 30th bills due
- July 26 Board meeting



Find Your Account Number & Win!

TEC has hidden an account number in this newsletter. If you find your account number, notify us by August 1st and you will get a \$10 bill credit.

Arlan and Ruth Zimmerman of Chokio, MN found their account number in last month's newsletter for the \$10 bill credit. Congratulations!

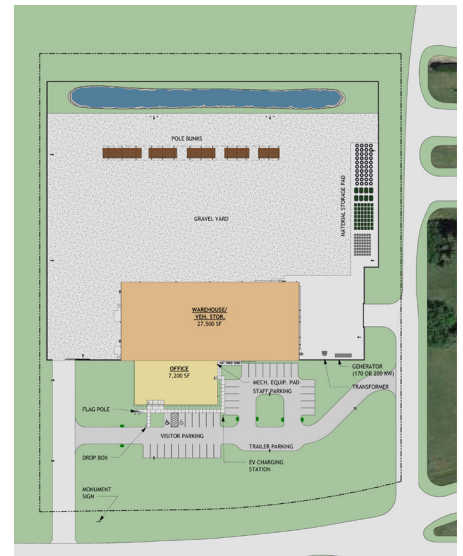
Facility Update

The annexation of 8.60 acres for the new facility has been approved. I would like to share the sketches of the new facility, which is just west of our current facility.



This picture shows the front of the new building.

This picture is of the full facility that was annexed by the City of Wheaton.



With the construction of the new facility, we look forward to serving you, our members from our new location. We believe the design is practical yet provides some modest expansion options for growth and additional services in the future.

Generation Resources...continued

meet the demand across its 14-state balancing authority area, the summer seasonal assessment did identify potential local issues that it will address with the entities responsible for serving load in those areas. Basin Electric was not identified as having any local issues with its power supply. SPP will likewise address potential fuel-supply constraints with generator owners and operators on a case-by-case basis.

“SPP’s job is to prepare for both expected and unexpected scenarios that could affect electric reliability across our region,” said SPP Senior Vice President of Operations Bruce Rew in the May press release. “We work closely with our member utilities to make sure our forecasts are as dependable as they can be, and then maintain contingency plans and monitor the regional grid around the clock so we can respond quickly and effectively if things don’t go as planned. We know how much the 18 million people in our region depend on our services, and we do everything in our power to responsibly and economically keep the lights on.”

Midcontinent Independent System Operator, Texas Grid Operator Warn of Shortfalls

The Midcontinent Independent System Operator (MISO) is similar to the SPP – an RTO responsible for matching generation resources with power demand from consumers on a real-time basis. But each organization serves different areas and has a different mix of generation resources. Some consumers in South Dakota are served off of the MISO system, but most cooperative consumers are served through SPP. The MISO raised alarms on April 28 when the organization said it

projects “insufficient firm resources” to supply the summer demand for electricity.

In 2005, MISO’s total generation mix was 76 percent coal, 13 percent nuclear, 7 percent natural gas, and the rest from a mix of other resources. By 2020, the amount of coal-based generation fell to 33 percent while natural gas grew to 34 percent, nuclear was at 17 percent and wind and solar made up 13 percent. It has been a drastic change in a short amount of time. With a higher amount of variable generation resources, less firm generation available and the anticipation of increased electric usage because of higher average temperatures, it sets up the potential for rolling power outages across the MISO footprint.

How do the Energy Markets Work?

Basin Electric owns generation and sells it into the SPP and MISO markets. Then Basin Electric buys all the power they need from those same markets to serve their membership, including our electric co-op. It helps control costs throughout our membership by allowing us to sell generation into the markets when it is economically advantageous, or access cheaper generation from the market when we need it. It was a critical strategic step taken by electric cooperatives to save their members money. But it also means that we can be subject to SPP directed rolling outages if demand exceeds generation across the SPP footprint like we saw in February 2021. Although we may technically have enough generation to serve our own consumers, because we’re part of the market, we must share in any potential outages that may be needed because of an energy emergency.

Lessons Learned from 2021 Energy Emergency

In February 2021, record-low temperatures and record-high electricity use across a region stretching from the Canadian border to Texas created what the SPP called “the greatest operational challenge in its 80-year history.” Yet, even in the extreme conditions, SPP only had about four hours total of rolling outages across its 14-state region. That included South Dakota and cooperatives served by East River Electric which was required to drop about 83 megawatts of demand over a short time on February 16, 2021. After the emergency, SPP commissioned a comprehensive report on the event and conducted in-depth analysis of what happened. The report produced 22 actions, policy changes, and assessments related to fuel assurance, resource planning, and availability, emergency response, and other areas. #2781

Summary

Joining the SPP was a strategic step that our cooperative network took several years ago to capture the benefits of being in an RTO. We have experienced immense financial and operational benefits over the past several years from our membership in the SPP, which have helped to keep electric rates stable. Looking ahead to this summer and its potential impacts on our energy supply, since the Minnesota portion of our electric cooperative is within the MISO footprint, we may be called upon to take a rolling outage. We will communicate with our members if this becomes a possibility and will work to restore power as soon as possible. ▀

May 2022 Traverse Electric Board Meeting Highlights

The May regular board meeting was held on Wednesday, June 1, 2022 at 8 AM. Absent: None.

Staff members present were General Manager, Joel Janorschke, Dale Schwagel, and Karen Lupkes.

President Diekmann called the meeting to order.

The agenda was approved.

The minutes of the April board meeting were approved.

The April check register was approved.

Cooperative Business Solutions reviewed revisions to the last project estimate and presented the final bids for the new facility. Approved the lowest qualified bids.

Reviewed financing options for the new facility.

City of Wheaton Annexation process reviewed.

Discussed the East River & Basin video reports.

Diekmann gave an East River Board Report.

Janorschke presented the Manager's Report, which included:

- ▶ Provided a Basin Electric update.
- ▶ Provided an East River update.
- ▶ REED Fund review.
- ▶ NRECA update.
- ▶ MREA and MN legislative update.
- ▶ SDREA and SD legislative update.

Lupkes gave the Office Manager's Report, which included:

- ▶ April 30, 2022 accounts receivable balances were reviewed.

- ▶ A list of new members was reviewed.
- ▶ Audit was held the week of May 16.
- ▶ Update on Electrical Dept. and Generator Program.
- ▶ Received capital credits from East River.
- ▶ East River power bill and Basin's financial reports reviewed.

Reviewed and approved the April 2022 Financial Report.

Schwagel gave the Operations Report. Items discussed included:

- ▶ May 12th storm recap. We lost 43 poles.
- ▶ Cost of transformers and material has increased.
- ▶ Reviewed our Safety Program.
- ▶ Outages were reviewed.

Reviewed our strategic planning goals and progress.

Results and recommendations from our Class Cost of Service Study will be presented at June meeting.

Completed the ballot for CRC director elections.

Discussed the format of the 83rd Annual Meeting scheduled for March 23, 2023 at the Wheaton High School. Food vouchers will be given to members attending the business meeting instead of a catered meal.

Approved a loan for a generator installation.

Discussed possibly a joint Basin Tour with Whetstone Electric.

Reviewed upcoming meetings and attendees.

Meeting adjourned. ▶

BOARD OF DIRECTORS

President: Doug Diekmann, Beardsley, MN
 Vice-President: Tom Frisch, Dumont, MN
 Secretary: Mark Pearson, Rosholt, SD
 Treasurer: Michael Marks, Norcross, MN
 Michael Gaulrapp, Breckenridge, MN
 Terry Monson, Veblen, SD
 Matthew Glynn, Sisseton, SD
 Bradley Rudolph, Dumont, MN
 Stacy Ehlers, Wheaton, MN

OFFICE PERSONNEL

Joel Janorschke – General Manager
 Karen Lupkes – Office Manager
 Dale Schwagel – Operations Manager
 Melissa Przymus – Accountant
 Susan Wilts – Billing Clerk

OPERATIONS PERSONNEL

Richard Davis – Foreman
 Lonnie Tekrony – Journeyman Lineworker
 Joe Gahlon – Journeyman Lineworker
 Austin Reinke – Journeyman Lineworker
 Golden Helberg – Journeyman Lineworker
 Tony Bruns - Apprentice Lineworker
 Justin Lundblad - Apprentice Lineworker
 Chris Falk – Facility/Staking Technician

GENERAL MANAGER'S CONTACT INFORMATION

Joel Janorschke
 Cell: 320.304.1392 | Direct: 320.563.1055
 jjanorschke@traverseelectric.com

MEMBER SERVICE REP/ MASTER ELECTRICIAN

Steve Powers 320-808-9104
 Connor Bartz
 -Apprentice Electrician 320-287-0009

ELECTRICAL INSPECTORS MINNESOTA

Brandon Lennox 320-808-5309
 Big Stone County Grant County
 Stevens County Traverse County
 Rodney Schaffer 701-235-2840
 Wilkin County

NORTH DAKOTA

Mark Moderow 701-226-3779
 Richland County

SOUTH DAKOTA

Dan Urban 605-222-0143
 Marshall County Roberts County

In case of a power outage, call (800) 927-5443

1618 Broadway
 P.O. Box 66
 Wheaton, MN 56296 USA
 Toll-free phone: 800.927.5443
 Local phone: 320.563.8616

Hours of Operation

Monday through Friday, 7 a.m. - 3:30 p.m.

Web site: www.traverseelectric.com

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TEC May Financials

	May 2021	May 2022	YTD 2022
Total Revenue	\$902,498.39	\$962,307.03	\$5,289,587.31
Cost of Power	\$582,445.34	\$614,601.63	\$3,025,446.86
Total Cost of Service	\$898,401.46	\$923,842.88	\$4,673,341.62
Operating Margins	\$4,096.93	\$38,464.15	\$616,245.69
Total Margins	\$(2,444.88)	\$56,573.65	\$631,350.65
Kilowatt-Hours (kWh) Purchased	9,661,436	10,129,344	59,116,819
Kilowatt-Hours (kWh) Sales	9,201,869	9,663,019	56,435,971
Line Loss	5%	5%	4%