

2021 PKM ANNUAL REPORT



JUMP 4 JOY BOUNCE HOUSES FOR THE KIDS!

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PKM ANNUAL MEETING
TUESDAY, JULY 12, 2022

PKM

Electric Cooperative

MAY-JUNE 2022 PKM NEWS / PKMCOOP.COM

SKY-VU DRIVE IN THEATRE | WARREN, MINN.



NOTICE OF ANNUAL MEETING

The annual meeting of the members of PKM Electric Cooperative will be held at the **Sky-Vu Drive In Theatre in Warren, Minn., at 7 p.m. on Tuesday, July 12, 2022**, for the following purposes:

1. **To pass upon reports of officers, directors and committees.**
2. **To elect three directors of the Cooperative.** Elections will be held for a three-year term for one director in each of the following counties:

POLK

Paul Aakre
Angus

KITTSOON

Mark Hatton
Drayton

MARSHALL

Tom Woinarowicz
Stephen

Per the Cooperative Bylaws, nominees for open director seats must submit a petition at least thirty (30) days before the Annual Meeting. Please note that the Bylaws mandate that no nominations for director can be made from the floor at the Annual Meeting nor are write-in nominations accepted. Given that there is only one nominee who properly petitioned for each open director position, the Board has determined not to incur the costs associated with issuing mail ballots for the three uncontested elections. In accordance with the Bylaws, the election of the three candidates to their respective open director seats will be moved upon at the Annual Meeting.

3. **To vote on proposed amendments to the Articles of Incorporation and Bylaws of the Cooperative.**
4. **All other matters, which may properly come before the annual meeting, or any adjournment or adjournments thereof.**

Wayne Malm, Secretary
May 31, 2022

May/June 2022 (Vol. 76, No. 3)

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Officers and Directors

President Mark Hatton
Vice President Michael Beaudry
Secretary-Treasurer Wayne Malm
Directors Paul Aakre, Steve Goodwin, Chris Mortenson,
Blake Owens, C.J. Peterson and Tom Woinarowicz
CEO Mike Schmidt
Editors Jeff Rustad, Megan Dagoberg

Office hours

8 a.m. to 4:30 p.m.,
Monday through Friday
phone: 218-745-4711
or 800-552-7366

Electrical after-hours emergencies

800-552-7366
e-mail: info@pkmcoop.com
website: pkmcoop.com

Next board meeting
Tuesday, June 28, 2022

*This institution is an equal
opportunity provider and employer.*

PKM Electrical Inspectors

Marshall and Kittson Counties

Ronald Ditsch
218-779-6758

Polk County

George Stage
218-284-1083

ANNUAL MEETING MINUTES

The annual meeting of the stockholders (hereinafter referred to as members) of PKM Electric Cooperative, Inc., was held at the Sky-Vu Drive In in the city of Warren, Minn., at 7 p.m. on Tuesday, July 13, 2021, pursuant to the provisions of the bylaws of the cooperative applying to notice of meeting.

The 81st annual meeting was called to order by Mark Hatton, president of the cooperative, who presided, and Wayne Malm, secretary of the cooperative, kept the minutes of said meeting.

CEO Michael Schmidt introduced guests and visitors from other organizations in attendance.

The president read the annual meeting rules. The attendance of a sufficient number of members to constitute a quorum was established by a register showing the members present at said meeting and verified by the president and secretary of the cooperative. The president stated that at least 109 members were present in person and that there were 2,864 accepted members in the cooperative, which established a quorum under Article II, Section 5 of the bylaws of the cooperative. The secretary was directed to file a registration for the establishment of a quorum as part of the minutes.

The president called for a motion to waive the reading of the notice of meeting and affidavit of mailing. A motion was duly made, seconded and passed unanimously.

Since the minutes of the last meeting of the members held on July 14, 2020, were included as a part of the annual report mailed to members prior to the meeting and distributed to members registering at the annual meeting, a motion was duly made, seconded and passed that the reading of said minutes be dispensed with and that they be approved as distributed.

The annual report of the president was presented. The treasurer's report was presented in the annual report. The annual report of the CEO was presented.

Upon conclusion thereof, all reports heretofore presented were upon motion duly made, seconded, carried and received by the membership.

The president called on the CEO, acting secretary to the nominating committee, to read the nominating committee report. The CEO called for a motion to waive the reading of the nominating committee report. A motion was duly made, seconded and passed unanimously.

Said report disclosed the nominations of the following members for the board of directors:

POLK COUNTY *(For a three-year term)*
Blake Owens – Warren, Minn.

KITTSOON COUNTY *(For a three-year term)*
Chris Mortenson – Kennedy, Minn.

MARSHALL COUNTY *(For a three-year term)*
Wayne Malm – Argyle, Minn.

The nominating committee consisted of the nine following members:

Chairman Garrit Winge - *Kennedy, Minn.*

Secretary Robert Wimpfheimer - *Warren, Minn.*

Matt Linsley - *Euclid, Minn.*

Rodney Larson - *Euclid, Minn.*

Troy Osowski - *Argyle, Minn.*

Jeff Mortenson - *Kennedy, Minn.*

Gary Jenson - *Drayton, Minn.*

Jeff Chwialkowski - *Argyle, Minn.*

Chris Urbaniak - *Argyle, Minn.*

The committee finalized its decision during a meeting held at the cooperative headquarters on Monday, June 7, 2021, at 4 p.m. The report of the committee on nominations was ordered to be certified by the secretary and annexed to the minutes of the meeting.

The CEO called on the cooperative's legal counsel to conduct the election and to introduce the Articles of Incorporation and Bylaws amendments. The attorney stated there are three vacancies on the board, one from each county, for a three-year term. He introduced all candidates starting with Polk, Kittson and Marshall counties. The attorney called for a motion to affirm the election of the nominated director candidates as presented. A motion was duly made, seconded and passed.

The attorney presented the proposed Amended and Restated Articles of Incorporation. After discussion, the attorney called for a motion to approve the Amended and Restated Articles of Incorporation as presented. A motion was duly made, seconded and passed.

The attorney presented the proposed revisions to the Bylaws. The attorney called for a motion to approve the Bylaws as amended. A motion was duly made, seconded and passed.

There were no additional questions from members attending the meeting. The president thanked the members for their support of the cooperative and attending the annual meeting.

There being no further business to come before the meeting, upon motion duly made and seconded and unanimously carried, the meeting was adjourned.

PRESIDENT & CEO'S REPORT



Mark Hatton
President



Mike Schmidt
CEO

Welcome to PKM Electric Cooperative's 2021 annual report. We are pleased to report that we had a highly successful year. Every industry uses their own unique benchmarks in setting goals and defining success. Some of the benchmarks we use are a safe work environment, regulatory compliance, power supply, adequate staffing, proper planning and engineering, lobbying in the best interests of our members, operating efficiently and financial performance.

PKM crews operated last year with no lost time. We have operated within the requirements of our regulators and lenders. Minnkota Power Cooperative, PKM's wholesale power provider, is working extremely hard to provide a path forward with our power supply. PKM has an adequate staff of dedicated employees. We have changed our planning to deal with supply chain issues and cost increases. A new four-year work plan was developed, setting our construction priorities to keep the system reliable. Financial performance has been exceptionally good with the sixth consecutive year of margins over \$850,000 and another large general retirement of capital. Rates have been stable since 2015 and there are no plans for an increase.

Nonoperating margins are unusually high due to allocations of capital (noncash) from Minnkota, and good performance of our subsidiary company. PKM also applied for and received a PPP loan that was forgiven. Our focus continues to be on our operating margin.

Because we are owned by those we serve, accountability to our members is priority one. Our board meetings include discussions on rates, system reliability, equity, loan covenants, capital credit retirements, plant additions, maintenance and service, all while dealing with the constraints of limited resources.

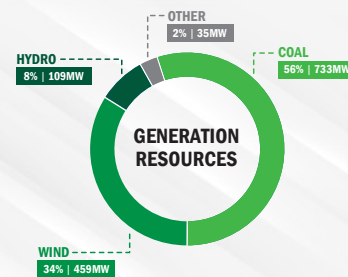
Our seventeen employees and nine directors live locally, are your friends and neighbors, attend local churches and shop locally. PKM sources as much as we can from our local business area. Our service area is our home.

While we are proud of our successes this past year, we also recognize that there are challenges on the horizon for our industry. As more baseload coal, natural gas

and nuclear power plants are being retired, our nation's electric grid is beginning to face reliability and stability issues. Our greatest fear is that major grid failures, like those that have happened in Texas and California in recent years, could begin to impact us in northern Minnesota.

Minnkota Power Cooperative maintains a diverse set of energy resources, including coal, wind and hydro, to help shield us from volatility and maintain reliable service. Coal continues to be the workhorse of these

WHERE YOUR POWER COMES FROM



PKM Electric Cooperative provides its membership with reliable, resilient and responsible energy. A strong generation portfolio of coal, wind, hydro and other resources from Minnkota Power Cooperative, PKM Electric's wholesale energy provider, helps meet your 24/7 needs.

resources and often runs 24 hours a day to meet our continuous energy needs. Having resources that can perform whether it's 100 degrees or 30 degrees below zero is crucial in our part of the country. Reliable electricity is essential to our economy and national security, and efforts to make major changes to the grid should be met with common sense and caution.

You are invited to attend your annual meeting. As we have said before, you make "three votes" as a cooperative member. The first vote is in the election of our board of directors (who have overall authority in the operation of your cooperative). The second vote is during the political process when you select our federal and state officials (who can and do impact the operations of your cooperative). The third is with your wallet. You have choices in the energy market. Our job is to provide enough value so you will choose PKM as your energy partner.

At the annual meeting there are attendance gifts, door prizes and a nice meal. We hope to see you there!

17

employees

2,867

members

2,298

miles of distribution line

\$13.7M

2021 revenues

\$34.3M

total assets

9.7¢

average kWh rate

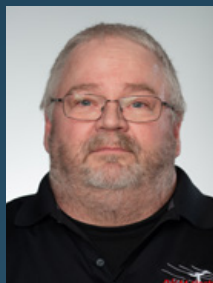
CURRENT BOARD OF DIRECTORS



Mark Hatton
President
Drayton, ND
Term expires 2022



Mike Beaudry
Vice President
Alvarado, MN
Term expires 2023



Wayne Malm
Secretary/Treasurer
Argyle, MN
Term expires 2024



Paul Aakre
Director
Angus, MN
Term expires 2022



Steve Goodwin
Director
Angus, MN
Term expires 2023



Chris Mortenson
Director
Kennedy, MN
Term expires 2024



Blake Owens
Director
Warren, MN
Term expires 2024



C.J. Peterson
Director
Lancaster, MN
Term expires 2023



Tom Woinarowicz
Director
Stephen, MN
Term expires 2022



Mike Schmidt
CEO

PKM POLITICAL LEADERS

Federal Legislators

President Joe Biden

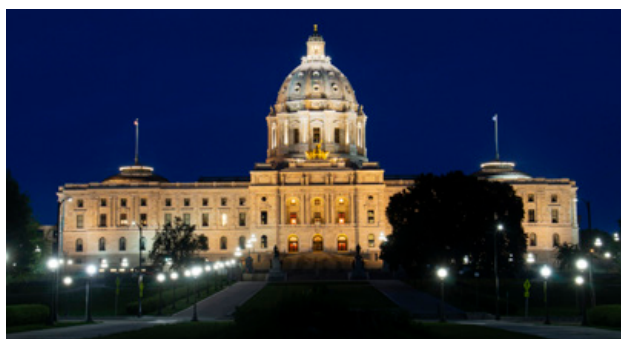
The White House
1600 Pennsylvania Ave. NW
Washington, D.C. 20500
www.whitehouse.gov
202-456-1111

Senator Tina Smith

720 Hart Senate Office Building
Washington, D.C. 20510
Phone: 202-224-5641

Senator Amy Klobuchar

425 Dirksen Senate Building
Washington, D.C. 20510
www.klobuchar.senate.gov
202-224-3244
1-888-224-9043
(Minnesota office)
Fax: 202-228-2186



Congresswoman

Michelle Fischbach
1237 Longworth House Office
Building
Washington, D.C. 20515
www.fischbach.house.gov
202-225-2165
Fax: 202-225-1593

MN State Legislators

Governor Tim Walz

Capitol Building, Room 130
75 Rev. Dr. Martin
Luther King Jr. Blvd.
St. Paul, MN 55155
800-657-3717
www.mn.gov/governor

Senator Mark Johnson

95 University Avenue W.
Minnesota Senate Building,
Room 3111
St. Paul, MN 55155
651-296-5782
sen.mark.johnson@senate.mn
www.senate.mn/members

Representative John Burkel

309 State Office Building
St. Paul, MN 55155
651-296-9635
rep.john.burkel@house.mn

Representative Deb Kiel

255 State Office Building
St. Paul, MN 55155
651-296-5091
800-339-9041
rep.deb.kiel@house.mn

Polk County



Paul Aakre

Three-year term

Paul Aakre is seeking your vote for a third term representing Polk County on the PKM board of directors. Director Aakre and his wife, Janet, have resided on their farm east of Angus since 1975. In addition to six children (and now 18 grandchildren), they raise small grains and row crops. Director Aakre taught Mechanized Agricultural courses at the University of Minnesota at Crookston for 42 years before retiring from his teaching role. Prior to that, he taught FFA/Vocational Agriculture in Elbow Lake and Newfolden, Minn. Director Aakre has really enjoyed the opportunity to serve on the PKM board the past six years, noting that PKM operates efficiently and has a responsible, conservative board. He also serves as president of the Square Butte board. Square Butte operates the Unit 2 power plant at the Milton R. Young Station. If elected, Director Aakre promises to support board decisions that will maintain reliable power, reasonable electric rates and equip employees of PKM with the proper tools and training to ensure their safety and effectiveness. He will embrace renewable energy efforts where proven practical and fully supports Minnkota's current power-generating sources.

Kittson County



Mark Hatton

Three-year term

Mark Hatton serves the Kittson County District of PKM. Director Hatton is married to Debra and they live in Teien Township, which is located in the southwest corner of Kittson County. Mark and Deb together have six adult children and seven grandchildren. Director Hatton is a semi-retired, self-employed CPA with his office located in Hallock. Mark was first elected to the board in 2016 and has served as president of the cooperative for the last two years. During his second term, he was able to reach his goal of attaining his Board Leadership Certificate. He is a firm believer in the importance of continuing education. He would like your support to continue to serve the members of the cooperative to the best of his ability, and would like to thank the members of the cooperative for the privilege of serving on the board for the past six years.

Marshall County



Tom Woinarowicz

Three-year term

Tom Woinarowicz represents Marshall County on the PKM board of directors. He and his wife, Ann, have lived in rural Stephen for the past 43 years. They raised four boys and now have nine grandchildren who give them a lot of joy. It has been Tom's privilege to represent you, as member-owners, on the PKM board. He currently also serves on the board for Minnkota Power Cooperative, PKM's wholesale power provider. Tom is fortunate to have had the opportunity to work with your dedicated PKM board of directors. One of PKM's top goals has been to provide reliable and affordable electricity to the member-owners. He would like the opportunity to continue this mission and would appreciate your vote. Thank you.

SCHOLARSHIPS THROUGH WGU

Western Governors University (WGU) partners with Minnesota Rural Electric Association (MREA) to offer scholarships to those looking to further their education

In an effort to empower residents in rural areas of Minnesota to go back to school and further their education, Western Governors University (WGU) recently announced it has partnered with the Minnesota Rural Electric Association (MREA) to provide \$50,000 in scholarships to Minnesotans who are served by an electric cooperative and are interested in pursuing a degree from the fully online, nonprofit university. The “Power Your Future” Scholarship is open to new students in rural areas of Minnesota who are employees of, member-owners of or live in a household served by one of the 50 electric co-ops that power rural Minnesota.

“One of the things that makes electric cooperatives unique is their commitment to the seven cooperative principles, which combine to help build trust between the co-op, its members and the community,” said Darrick Moe, MREA president & CEO. “As the statewide organization for Minnesota’s rural electric cooperatives, MREA demonstrates the fifth cooperative principle of education, training and information through an education program focused on providing continuing education to co-op board directors and staff. The Power Your Future Scholarship provides MREA and its members with

an innovative approach to advancing that principle for cooperative employees as well as member-owners throughout the state.”

WGU is a leader in providing fully online, affordable, competency-based education to working adults who are interested in furthering their skillset but need the flexibility of online education to fit their busy lives. Through the “Power Your Future” Scholarships, WGU aims to empower Minnesota’s rural students who are committed to going back to school to complete their undergraduate or graduate degrees. Each scholarship is valued at up to \$3,000 and will be applied at a rate of \$750 per six-month term. To be eligible, scholarship applicants must be officially admitted to WGU and enrolled in one of the university’s more than 60 accredited bachelor’s and master’s degree programs in business, information technology, K–12 teacher education, and health professions, including nursing. Students must also complete the scholarship application at wgu.edu/power and be interviewed by a WGU scholarship counselor. Recipients will be selected based on academic records, financial need, readiness for online study and current competency, among other considerations.

“We are proud to partner with the



Minnesota Rural Electric Association to deliver this scholarship offering to adults who are interested in furthering their education through WGU’s flexible, online format,” said Dr. Terrance Hopson, Regional Director of Western Governors University. “Together, we will seek to provide a streamlined approach and expand access to higher education, which will be of particular value for rural residents served by co-ops for whom high-quality, career-boosting college degrees are not always readily available.”

For more information about WGU or the “Power Your Future” Scholarship, visit wgu.edu/power. For more information about MREA or Minnesota’s rural electric cooperatives, visit mrea.org.

Western Governors University is offering an exclusive scholarship opportunity to you. No need to spend your time driving back and forth to a college campus.

Earn a respected, affordable degree from anywhere in Minnesota, with just an internet connection.

Apply TODAY to earn a \$3,000 scholarship.



wgu.edu/power

**\$3,000
SCHOLARSHIP
OPPORTUNITY**

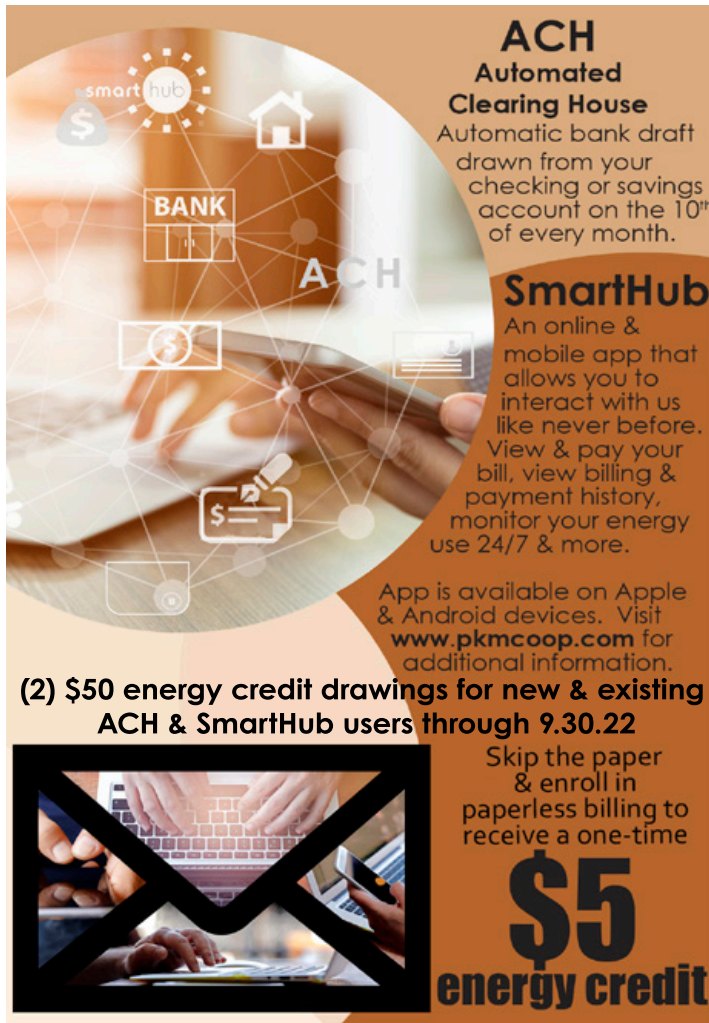
[WGU.EDU/POWER](https://wgu.edu/power)

WGU THE UNIVERSITY OF YOU

ACH/SMARTHUB

Members Currently Enrolled in ACH, SmartHub and Paperless Billing Through May 2022

| ACH: 1,041 | SmartHub: 1,134 | Paperless: 191 |



ACH
Automated Clearing House
Automatic bank draft drawn from your checking or savings account on the 10th of every month.

SmartHub
An online & mobile app that allows you to interact with us like never before. View & pay your bill, view billing & payment history, monitor your energy use 24/7 & more.

App is available on Apple & Android devices. Visit www.pkmcoop.com for additional information.

(2) \$50 energy credit drawings for new & existing ACH & SmartHub users through 9.30.22

Skip the paper & enroll in paperless billing to receive a one-time **\$5 energy credit**



35¢

First bath for your new pup?

Powerful experience – powered by 35 cents of electric water heating

VALUE OF ELECTRICITY

BE PREPARED BEFORE A STORM STRIKES

In the event of a power outage, be prepared by keeping the following items in an easy-to-find emergency supply kit.

- WATER**
Three-day supply, one gallon per person per day.
- TOOLS**
Flashlight, extra batteries, manual can opener, battery-powered or hand-crank radio, NOAA Weather Radio with tone alert.
- FIRST AID KIT AND PRESCRIPTIONS**
First aid supplies, hand sanitizer and at least one week's supply of prescriptions and medications for the family.

Learn more at www.ready.gov

Source: American Red Cross, Federal Emergency Management Agency.



USIC CONTRACTED FOR 811

PKM Electric Cooperative has contracted USIC to perform all of its 811 locates. Remember, before any digging project, such as planting trees this summer, you must call 811 at least two business days before digging to get utility lines marked and protect you from injury and expense. Safe digging is no accident. Visit www.call811.com for more information, or give us a call at PKM.



| COLOR CODING FOR MARKING UNDERGROUND UTILITIES | |
|--|---|
| WHITE | Proposed excavation |
| PINK | Temporary survey markings |
| RED | Electric power lines, cables, conduit and lighting cables |
| YELLOW | Gas, oil, steam, petroleum or gaseous materials |
| ORANGE | Communication, alarm or signal lines, cables or conduit |
| BLUE | Water |
| PURPLE | Reclaimed water, irrigation and slurry lines |
| GREEN | Sewer and drain lines |



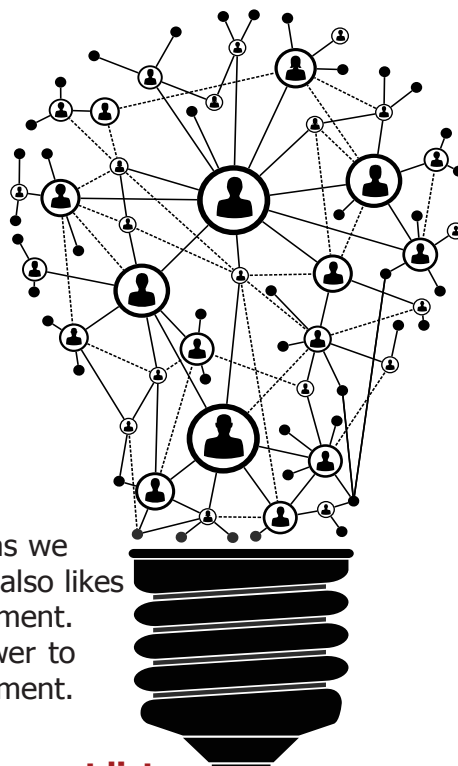
Stay *connected* to your cooperative

Name _____
Address _____
City _____
State | Zip _____
Primary Ph. # _____
Email _____

This information is maintained in case of a planned outage, as we try to inform members beforehand. Your electric cooperative also likes to know about any members who are on life-support equipment. During an unplanned outage, priority is given to restore power to these members as electricity is a lifeline for their medical equipment.

_____ **Yes, I'm on life-support equipment.**

_____ **Please remove me from the cooperative's life support list.**



Sounding the alarm on grid reliability

NORTH DAKOTA, MINNESOTA AT RISK OF POWER OUTAGES THIS SUMMER

America's electric grid has become increasingly unstable – and it could begin impacting Minnkota Power Cooperative's members this summer.

That's why Minnkota is joining many of our nation's grid operators and regulators in sounding the alarm on the vulnerabilities that are affecting power reliability. As the pace of change in the energy industry continues to accelerate, so does the risk of rotating power outages and other extended service interruptions. Minnkota's eastern North Dakota and northwestern Minnesota service area is no longer immune to the large-scale grid challenges that have been experienced in Texas and California in recent years.

Minnkota takes its responsibility to provide reliable, resilient and responsible electricity seriously. The cooperative has more than enough generating capacity to meet the demands of its members through its coal, wind and hydro resources. But Minnkota does not operate on the grid alone. Utilities across the Upper Midwest are connected through Midcontinent Independent System Operator (MISO). Emergency events experienced in other parts of the MISO region can and do have impacts back into the Minnkota system.

One of the most significant industry issues is the retirement of baseload and dispatchable power plants – including coal, nuclear and natural gas – without adequate replacements. Wind and solar make

up the majority of the new resources being added to the grid, but they are limited by the fact that they are only able to operate intermittently – when the wind is blowing or the sun is shining. While Minnkota supports moving toward a cleaner, more sustainable energy future, it is not something that can happen with the flip of the switch. It will take decades of planning and unprecedented technology development to achieve significant carbon reduction.

MISO expresses concerns

Minnkota is not alone in coming to these conclusions. MISO issued a dire warning in April that it does not have enough reliable power plant capacity on its system to meet its projected peak demand this summer. The result is an increasing risk of power outage events.

Minnkota both buys and sells surplus power in the MISO system, which estimates a 1,230-megawatt (MW) shortfall in power plant capacity to meet its reserve margin. For context, one megawatt-hour (MWh) is enough electricity to serve more than 800 homes with an hour's worth of power.

"Due in large part to decarbonization goals set by our members and the states in our region, our resource fleet is increasingly reliant on intermittent and weather-dependent resources," said Wayne Schug, vice president of strategy and business development at MISO. "As this trend continues in the future, MISO needs to evolve the grid, our markets, and our

operational capabilities, which is just as complex as it sounds."

In a recent interview in the Wall Street Journal, MISO CEO John Bear added to this point by saying, "As we move forward, we need to know that when you put a solar panel or a wind turbine up, it's not the same as a thermal resource."

MISO's peak demand for electricity typically occurs in the summer months during the hottest days of the year. The organization is conducting training and exercises to prepare for worst-case scenarios and is also implementing lessons learned and best practices. Likewise, Minnkota's energy marketing team is working to ensure it's ready to respond to volatile market and reliability conditions.

NERC issues grim report

The North American Electric Reliability Corporation (NERC) – the federal regulatory entity responsible for the reliability of the nation's electric grid – is also expressing concerns heading into the summer season. According to NERC, MISO is in the "high risk" category, and has the potential of "facing capacity shortfalls in its north and central areas during both normal and extreme conditions due to generator retirements and increased demand."

NERC's Summer Reliability Assessment notes that reliability challenges are being compounded by evolving demands on the power grid, which has grown increasingly complex as renewable energy assets are added.

“There’s clear, objective, inclusive data indicating that the pace of our grid transformation is a bit out of sync with the underlying realities and the physics of the system,” said John Moura, NERC’s director of reliability assessment.

Along with the changing power supply mix, NERC also identified extreme weather conditions, high seasonal demand for electricity, supply chain issues and cybersecurity threats as other risks impacting reliability.

What is Minnkota doing?

While there are challenges, Minnkota supports efforts to reimagine how electricity can be produced, delivered and consumed. But the implementation of these ideas must be met with caution and common sense. After all, there is a lot on the line. A resilient and reliable electric grid that affordably keeps the lights on is the cornerstone of the American economy and our national security. Any missteps in an energy transition of this magnitude can have irreversible consequences.

So, what can be done? Minnkota is only one of thousands of utilities

across the country, but it is taking its own steps to protect itself from power reliability challenges.

- **Training and education**

Minnkota’s employees are trained to respond to emergency grid events and continuously work to shield members from the volatility of the grid and markets. The cooperative also invests significant time in helping member-consumers, lawmakers, business interests and others in the general public understand the challenges the industry faces and the complexity in providing reliable power to the region.

- **Maintaining a diverse energy mix**

Minnkota’s energy portfolio consists of a diverse mix of coal, wind and hydro resources. Working together, these facilities help ensure 24/7 reliability on the Minnkota system. Coal-based facilities remain the workhorse of the system and are routinely available to produce power during the vast majority of each year.

- **Upgrading our power delivery systems**

Minnkota is building, upgrading

and replacing the power delivery resources that connect its communities. New technologies are being added to Minnkota’s grid to provide enhanced data and communication capabilities – all in an effort to respond more quickly to issues and improve overall reliability.

- **Continuous cybersecurity evolution**

Minnkota continuously works to protect the electric grid from physical and cyber security threats. Energy experts in Minnkota’s Control Center monitor the grid 24 hours a day to ensure the safety of the cooperative’s employees, infrastructure and data.

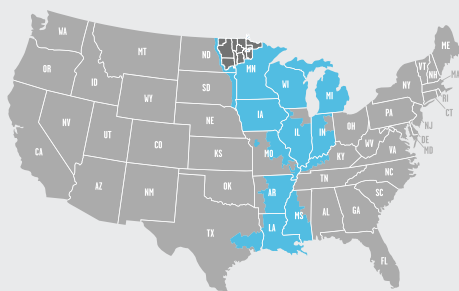
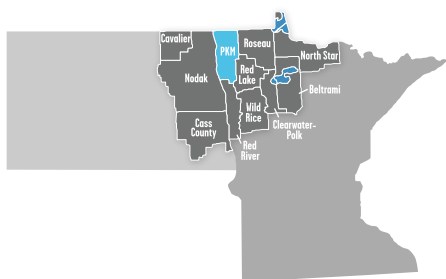
- **Strategically utilizing demand response**

Minnkota has one of the most robust and effective demand response (also called off-peak) programs in the country. Through the program, Minnkota and its members can temporarily control electric heating, water heating and vehicle charging loads – shifting electrical demand when economical resources are not available.

By Ben Fladhammer

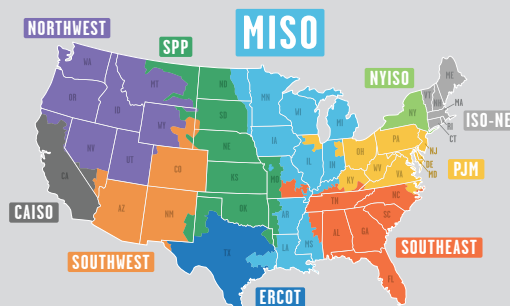
Understanding the grid

Minnkota Power Cooperative system



Where Minnkota Power Cooperative fits into MISO (Midcontinent Independent System Operator)


Where MISO fits into the nation's grids




STATEMENT OF OPERATIONS


| | 2021 | 2020 |
|---|----------------------|----------------------|
| OPERATING REVENUE: | | |
| Electric | \$ 13,614,068 | \$ 14,574,099 |
| Other | 143,279 | 101,710 |
| Total operating revenue | \$ 13,757,347 | \$ 14,675,809 |
| OPERATING EXPENSES: | | |
| Cost of power | \$ 9,107,133 | \$ 9,599,253 |
| Distribution – operation | 443,239 | 482,837 |
| Distribution – maintenance | 620,504 | 782,688 |
| Customer accounts | 287,920 | 341,779 |
| Customer service and informational | 224,714 | 189,706 |
| Administrative and general | 796,440 | 920,140 |
| Depreciation | 1,035,356 | 981,658 |
| Interest on long-term debt | 584,960 | 590,406 |
| Tax expense – other | - | - |
| Other income deductions | 4,519 | 5,295 |
| Total operating expenses | \$ 13,104,784 | \$ 13,893,762 |
| OPERATING MARGIN | \$ 652,563 | \$ 782,047 |
| NONOPERATING MARGIN: | | |
| Nonoperating margins – other | \$ 1,102,788 | \$ (31,727) |
| Interest income | 140,370 | 200,241 |
| Generation & transmission capital credits | 461,300 | 195,288 |
| Other cooperative capital credits | 44,618 | 47,608 |
| Total nonoperating margin | \$ 1,749,076 | \$ 411,410 |
| NET MARGIN | \$ 2,401,639 | \$ 1,193,457 |

For the years ended December 31, 2021 and 2020. Minnesota 87 Marshall
PKM Electric Cooperative, Inc. Warren, Minn.

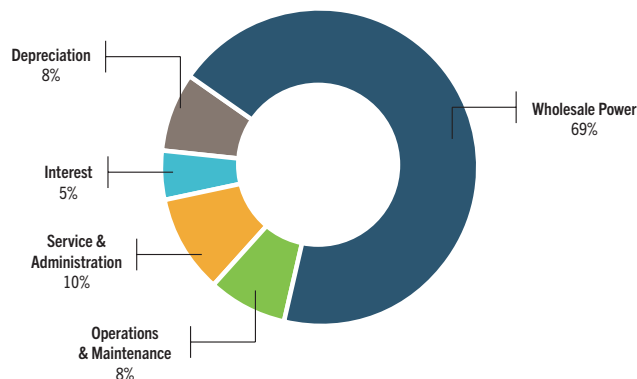
| | | |
|---|----------------------|-------------|
|  | LED LIGHTS INSTALLED | |
| | 2020 | 2021 |
| | 249 | 191 |

| | | |
|---|----------------------|----------------|
|  | SCHOLARSHIPS AWARDED | |
| | 2021 | TO DATE |
| | 13 | 429 |

| | | |
|---|-------------------|-------------|
|  | POLE REPLACEMENTS | |
| | 2020 | 2021 |
| | 121 | 124 |

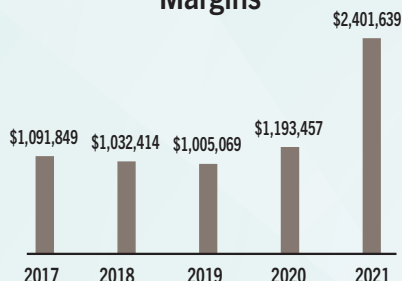
| | | |
|---|-----------------------|--|
|  | WIND ENERGY SURCHARGE | |
| | 2021 | |
| | 384,506 | |

Operating Expenses

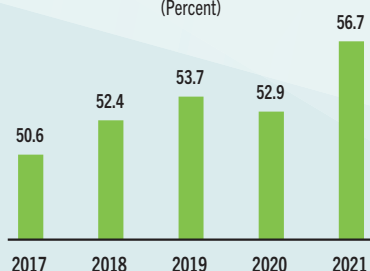


PKM BALANCE SHEET

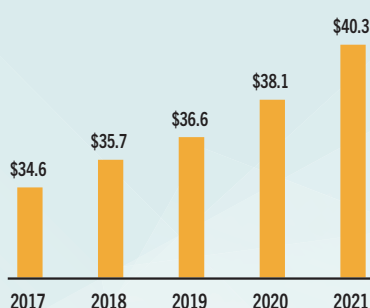
Margins



Equity (Percent)



Electric Plant Investments (Millions of Dollars)



TIER

(Times Interest Earned Ratio)



Assets

2021

2020

ELECTRIC PLANT:

| | | |
|-------------------------------|----------------------|----------------------|
| In service | \$ 39,657,997 | \$ 37,528,412 |
| Under construction | 609,863 | 573,029 |
| Total electric plant | 40,267,860 | 38,101,441 |
| Less accumulated depreciation | (14,718,340) | (14,616,654) |
| Electric plant – net | \$ 25,549,520 | \$ 23,484,787 |

OTHER PROPERTY AND INVESTMENTS:

| | | |
|---|---------------------|---------------------|
| Investments in associated companies | \$ 1,665,199 | \$ 1,197,728 |
| Other investments | 2,061,421 | 1,581,425 |
| Total other property and investments | \$ 3,726,620 | \$ 2,779,153 |

CURRENT ASSETS:

| | | |
|---|---------------------|---------------------|
| Cash – general | \$ 1,344,452 | \$ 3,175,561 |
| Temporary investments | 1,350,000 | 1,368,554 |
| Accounts receivable | 1,431,398 | 1,463,364 |
| Materials and supplies | 835,821 | 811,717 |
| Prepayments, other current & accrued assets | 77,712 | 20,405 |
| Total current assets | \$ 5,039,383 | \$ 6,839,601 |

| | | |
|------------------------|----------------------|----------------------|
| DEFERRED DEBITS | \$ 46,459 | \$ 11,761 |
| TOTAL ASSETS | \$ 34,361,982 | \$ 33,115,302 |

Equities and Liabilities

EQUITIES:

| | | |
|----------------------------|----------------------|----------------------|
| Memberships | \$ 20,015 | \$ 19,720 |
| Patronage capital | 9,426,432 | 9,051,000 |
| Other margins and equities | 7,849,182 | 7,391,952 |
| Current year margins | 2,401,639 | 1,193,457 |
| Total equities | \$ 19,697,268 | \$ 17,656,129 |

| | | |
|-----------------------|----------------------|----------------------|
| LONG-TERM DEBT | \$ 12,845,389 | \$ 14,021,002 |
|-----------------------|----------------------|----------------------|

CURRENT LIABILITIES:

| | | |
|----------------------------------|---------------------|---------------------|
| Accounts payable | \$ 1,379,278 | \$ 1,010,577 |
| Consumers deposits | 16,200 | 15,050 |
| Other current liabilities | 423,847 | 412,544 |
| Total current liabilities | \$ 1,819,325 | \$ 1,438,171 |

| | | |
|---------------------------------------|----------------------|----------------------|
| TOTAL EQUITIES AND LIABILITIES | \$ 34,361,982 | \$ 33,115,302 |
|---------------------------------------|----------------------|----------------------|

We invite you to study the financial statements in this report.

EMPLOYEE & STAFF DIRECTORY



Nolan Buchner
Journeyman Lineman



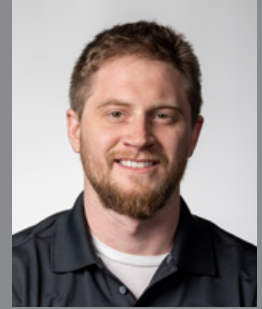
Megan Dagoberg
Administrative Assistant



Chelsy Davey
Billing Coordinator



Chris Derosier
Line Foreman



Matt Kazmierczak
Utility Rep / Work Order Clerk



Bret Klopp
Journeyman Lineman



Nolan Knott
Journeyman Lineman



Kade Leeper
Apprentice Lineman



Joe Marcotte
Line Superintendent



Caleb Novak
Journeyman Lineman



Karen Olson
CFO



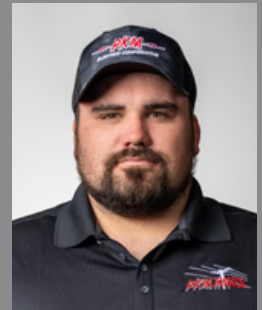
Ben Pahlen
Sub-Line Foreman



Jeff Rustad
Member Service Manager



Scott Slusar
Line Crew Foreman



Josh Tutt
Journeyman Lineman



Sara Wurtzel
Assistant Billing Clerk



Conner Mercil
Summer Help



Riley Pahlen
Summer Help



Kyle Thompson
Summer Help

PKM Electric's advisors






Randy Vetter
Engineer
MEI Engineering Inc.
Fargo, N.D.

**Minnkota Power
Cooperative**
Legal Counsel
Grand Forks, N.D.

SAVE MONEY & ENERGY



PKM Electric Cooperative members who volunteer to participate in our load management, also known as off-peak, programs are able to take advantage of reduced rates for their electric heat in exchange for allowing our power supplier, Minnkota Power Cooperative, to control their energy use during peak demand times. Working together, Minnkota and PKM are able to strategically use the program to shield members from price volatility from the energy market during peak demand periods. Participating members are eligible for cash rebates when installing or converting existing equipment. PKM works together with our members to identify programs that best fit you and your family's needs. Please contact our Member Services Department for more information and program details at 218-745-4711 or visit our website at www.pkmcoop.com.

| Rebates | Equipment | Value of Electricity (Minnkota) | PowerSavers |
|---|--|------------------------------------|--|
|     | ELECTRIC HEATING EQUIPMENT* | | |
| | Baseboard/cove heater, plenum heater, hanging unit heater, radiant underfloor heat | \$50/kW |  |
| | ELECTRIC THERMAL STORAGE HEATING* | | |
| | Electric boiler, brick storage room unit, brick storage electric furnace/boiler, slab storage electric cable | \$80/kW | |
| | HEAT PUMPS | | |
| | Air-source heat pump (ASHP) <17 SEER | \$300/ton | \$300/ton (<17 SEER) |
| | Air-source heat pump (ASHP) >17 SEER | \$500/ton | \$500/ton (>17 SEER) |
| | Ground-source heat pump | \$500/ton | \$500/ton (14.1 EER/closed loop) |
| | THERMOSTATS | | |
| | Programmable thermostats | | 50% of purchase price, up to \$25 |
| Energy Star smart thermostats | | 50% of purchase price, up to \$50 | |
| HEATING, VENTILATION AND AIR CONDITIONING (HVAC) MEASURES | | | |
| Tune-up for central A/C (<i>not window units</i>) | | \$25/unit | |
| Tune-up for air-source/mini-split heat pumps | | \$25/unit | |
| WATER HEATERS | | | |
| 55 gallon or less | \$200/unit | \$125/unit | |
| 56-99 gallon | \$400/unit | | |
| 100 gallon or greater | \$500/unit | \$300/unit | |
| New construction (50-gallon) | FREE unit | | |
| Conversion from gas/propane | \$250/unit | \$200/unit | |

* Equipment must be part of PKM Electric's off-peak load management program



JUMP 4 JOY BOUNCE HOUSES FOR THE KIDS!



Color & Fun Face
Painting with Ashley
Masloski!

AGENDA

TUESDAY, JULY 12, 2022

6:30 p.m.

- Doors Open for Member Registration

BUSINESS MEETING

7:00 p.m.

- Meeting Called to Order.....President Mark Hatton

BUSINESS SESSION

- Notice of Annual Meeting
- Establishment of Quorum
- 2021 Meeting MinutesMark Hatton
- President's ReportMark Hatton
- Treasurer's Report..... Included in Report
- CEO's Report.....Mike Schmidt
- Nominating Committee ReportMike Schmidt
- Approval of Nominated Sam Schmitz, *Minnkota*
Director Candidates *Power Cooperative Counsel*
- New Business
- Adjournment of Business Meeting
- Prize Drawings (*must be present to win*)

Enter through the main gate to register and pick up your gift bag for the meeting. Members are welcome to stay for the movie that night and food will be available before the prize drawings.

GRAND DOOR PRIZE: \$500 energy credit

KIDS' PRIZES: (1) \$200 Visa gift card and
(1) \$100 Visa gift card

BACK THIS YEAR: \$200 Visa gift card to
the favorite pick for antique car or hot rod!