From all of us at PKM Electric Cooperative!

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As the year is coming to an end, I want to wish everyone happy holidays. It has been a very busy year. We had one extra month of good weather this fall, making it possible to finish all our planned projects, along with some unplanned projects. It seems like every year as the crops are harvested, we have a list of members who want to convert overhead wires to underground running through the field. If you are looking to do this, please call Joe so he can add you to the list for 2023, because some supplies may be out six months to a year. We ordered our cable for next year months ago and the cost per foot for 2023 will start at $5. I want to thank all the employees for their hard work this year. Along with Olson Underground, the guys installed 54 miles of underground wire. This includes new services, service improvements, cable replacements and system improvements. They also changed out 40 poles and 165 yard lights so far this year. It takes a team just for the paperwork for all these projects in the office alone.

I also want to remind members with off-peak heating systems that our long-term off-peak rate of $0.054 is the same as $1.40 propane. With the current rate of propane, that is 25% to 30% cheaper. And if you have a heat pump on off-peak, it is about half that again. If you are looking at updating your system or installing new, we may have rebates that apply, or you can call the office if you have any questions.

Also, we have Northwest Electric and KB Enterprises Inc. working on replacing our mercury and HPS yard lights with new LED yard lights. Thanks to Karen Olson, we received a grant to help offset the cost of these replacements.

Allegiant, our metering contractor, has finished what they had left on the Euclid substation. PKM still has some work to do yet and off-peaks that need to be replaced yet. This system has been working well and we will be doing the Radium and Strandquist substations next year when supplies become available.

I also want to congratulate Mike and Deb Schmidt on a long and happy retirement. As always, if you have questions on anything please call the office. Merry Christmas and Happy New Year from the crew at PKM.

– Jeff Rustad

PKM Electric Cooperative’s office will be closed Monday, Jan. 2, as we observe New Year’s Day.

Jeff Rustad
Manager of Member Services
PKM Electric Co-op

POLE TESTING SOON

Exo, Inc. will be starting to check poles this month for pole testing.

HAPPY NEW YEAR

2023

November/December 2022 (Vol. 76, No. 6)

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Next board meeting
Board meeting to be held the last Tuesday of the month.

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

This institution is an equal opportunity provider and employer.
Despite global economic challenges and inflationary pressures, Minnkota Power Cooperative plans to keep its average wholesale electricity rates flat for the sixth straight year. The cooperative’s board of directors approved the 2023 capital and operating budgets this fall, which anticipate no rate adjustment for the Class A member systems.

“We recognize the prices of many products and services are continuing to rise, which places pressure on families, businesses and communities in our region,” said Mac McLennan, Minnkota president and CEO. “While we’re not immune to these broad economic challenges, we are committed to finding ways to ensure resiliency and stability for our members.”

The economy in Minnkota’s service area remains strong with consistent growth coming from the major population centers and the agricultural industry. The budget anticipates the sale of 4.2 billion kilowatt-hours (kWh) to the Class A members in 2023 – a 2.5% increase from the previous year. Residential and commercial growth in the region are continuing to outpace previous Load Forecast Study expectations. Additionally, the two states Minnkota serves – Minnesota and North Dakota – rank first and third in the nation in unemployment rates according to the U.S Bureau of Labor Statistics.

Minnkota also anticipates a boost to its financials through stronger markets for its surplus power sales. With no major power plant outages scheduled in the coming year, ample power supply resources are expected to be available. Average energy and capacity prices in the MISO marketplace are projected to be higher than the 2022 budget.

“The demand and price for our surplus power has grown steadily over the last two years, which has been a positive for us financially,” McLennan said. “There is still market volatility that will need to be managed, but we believe the current price trends will provide additional revenue.”

Minnkota’s revenue requirement in 2023 is budgeted at $442.7 million. Expenses are budgeted at $426.8 million. The net margin is projected to be $15.8 million before the recognition of $1.2 million of deferred revenue to reach the target margin level of $17 million. About $64.6 million will be invested in capital construction projects and equipment in 2023. Approximately 72% of that total is focused on the power delivery system to address aging infrastructure, improve service and enhance reliability. Programs to rebuild legacy power lines and substations will continue, as will efforts to add blink mitigation equipment to reduce momentary outages. Distribution automation technologies will also be added to provide enhanced communication and greater visibility over the system. Power production and security/reliability projects will make up the remainder of this budget.

Minnkota’s financial position is also supported by previous years of strong operational performance. The cooperative has a deferred revenue plan in place to manage shortfalls and unanticipated expenses, as well as a Resource Transition Fund to address extraordinary market events and future power supply needs.

Minnkota is rated as an investment-grade utility in 2022. The cooperative currently has an A- rating from Standard and Poor’s and a stable outlook.

“The energy industry continues to go through one of the most significant transitions in its history,” McLennan said. “We’re fortunate to be in a stable position financially to meet these challenges and opportunities head on. We look forward to continuing to work closely with our membership to provide reliable, affordable and sustainable electricity for the region.”

By Ben Fladhammer
If you’re a member enrolled in your co-op’s off-peak (or demand response) program, knowing the “why” behind the moments your dual fuel heating is temporarily switched is likely important to you – especially during the long, cold months of winter. Our power supplier, Minnkota Power Cooperative, makes the decision of when to shift off-peak members to their backup heat source for a variety of reasons, but it all comes down to affordability and reliability.

In a typical winter season, Minnkota tries to keep its demand response hours managed to 250 hours. This year, the goal is the same, but there will be unique obstacles to overcome in order to meet it. One of those challenges is a three-month planned maintenance outage on Unit 2 of the Young Station, one of the largest sources of power for Minnkota’s members.

“The outage is at beginning of the season, September into December, which is generally a light demand response period for us. The outage has the potential to increase our hours at the beginning of the season,” said Dan Trebil, Minnkota’s energy supply manager. “That, combined with the volatile energy market that we’re seeing, is going to play a part in how close we are able to manage to that 250-hour level.”

When Minnkota needs additional energy to meet the needs of its members (perhaps when there’s no wind for the turbines and demand is extremely high), it looks to purchase energy from a regional market. Over the past few months, that market has seen dramatic spikes in price – something Minnkota tries to avoid to protect its membership.

“The biggest things that are playing into the volatility are transmission constraints in our area, as well as the price of natural gas,” Trebil explained. In the fall, the price of natural gas was the lowest it had been for several months. Now, in December, the price is rising again, and could continue to rise into January.

It’s important for members to prepare now for increased demand response this winter. Individuals with off-peak dual fuel heating systems should check that they have adequate fuel for their backup source (propane, fuel oil, etc.). Off-peak members are sometimes caught by surprise when demand response kicks in for the first time, especially when it’s early in the season.

Remember that your co-op’s demand response program is a win-win-win for all involved. Enrolled members are thanked with a reduced electric rate (and no interruption in comfort), the co-op can navigate high-demand days while avoiding expensive market purchases, and the entire regional grid benefits from reduced demand.

“We’re in an interconnected system,” Trebil said. “When the grid gets into a potentially unstable situation, it’s because of tight conditions between generation and demand. So we’re able to respond in those situations with our demand response to not only help us and our members, but the grid as a whole. Lowering our demand helps balance the entire footprint.”
The increasing demand for electricity and the retirement of reliable power plants are contributing to an “unprecedented” risk of power shortages across the United States this winter, according to a report from the North American Electric Reliability Corporation (NERC).

NERC, the entity charged with maintaining the reliability of the electric grid, issued its annual Winter Reliability Assessment in November. This assessment indicates that the shutdown of dependable power plants, inadequate generation weatherization, fuel supply risks and a shortage of natural gas pipeline capacity could lead to requests for energy conservation and the potential for controlled power outages across the U.S.

“The bulk power system is impacted year after year, more than it has ever been,” said John Moura, NERC’s director of reliability assessment. “Weather is the most influential factor. The grid has to constantly balance supply and demand.”

If power supply is not adequate to balance demand, controlled outages must be implemented to avoid cascading failures. In extreme cold temperatures, short outages can present extraordinary hardships – and can even be life-threatening.

Minnkota Power Cooperative has more than enough electric generation resources (coal, wind and hydro) to meet its requirements throughout the year. However, Minnkota is interconnected with other utilities across the Upper Midwest through an organization called MISO. Challenges in other parts of the MISO region can and do impact Minnkota’s operations.

Since last winter, more than 4.2 gigawatts (equivalent to 4.2 billion watts) of coal and nuclear power plant capacity were retired without adequate replacement in other areas of the MISO system. These resources provide vital reliability and resiliency to the grid because they have the ability to operate on a 24/7 basis and are built to run in subzero temperatures. Conversely, wind and solar farms can be prone to operational challenges in extreme cold conditions – including shutdown.

Minnkota is taking action to ensure it is ready for the winter season and is doing everything possible to protect its membership from challenges, including:

- Routine maintenance and weatherization of electric generation and transmission assets are conducted to ensure reliability.
- Minnkota continues to operate and maintain its coal-based resources, which have performed well in polar vortex events and during other weather-related challenges.
- Minnkota’s robust off-peak program provides vital grid support during extreme events and helps shield the membership from high-cost energy purchases on the open market.
- Minnkota continues to advocate for a sensible energy transition that works toward environmental goals while still ensuring the reliability of the electric grid.
- Minnkota will continue to work with policymakers to help explain the impacts of legislation on the reliability and affordability of electricity.

By Ben Flahammer / Photography Michael Hoeft
Locally grown leadership

As PKM Electric CEO Mike Schmidt Retires, Protégé Jeff Rustad Becomes New Co-op Leader in 2023

PKM Electric Cooperative territory has always been PKM CEO Mike Schmidt’s home. He was raised on a farm 30 miles north of Warren, Minn., where his family grew potatoes and small grains. As the crops took stronger hold on the land year after year, so did he.

“I just like being in this area. It’s where I grew up,” Schmidt said. He explained that he was able to land a job as a PKM accountant in 1983 and his wife was a local teacher. Warren just felt right for their young family. “Small-town living was good for my three kids. The goal was that we would raise all three kids in the same house, the same church and the same school.”

Schmidt accomplished that goal, along with career goals that took him from accountant to CEO. Now, after nearly 40 years with PKM Electric, he’s ready to hand cooperative leadership to another local of the territory – PKM Member Services Manager Jeff Rustad.

Rustad was an electrical contractor before joining PKM in 2004. At that time, Schmidt was looking for a master electrician in the Member Services department. But Rustad brought more than a contractor’s license.

“One great thing about coming to PKM was that a lot of my customers were PKM members,” Rustad said. “That was the awesome thing. I was helping out customers I’d been working with forever. I had a lot of connections, because I grew up just north of Oslo [Minn.].”

In the 18 years they worked together, Schmidt and Rustad were able to find new ways to enhance the lives of their members (or rather, friends and neighbors). Two of their
PKM Electric CEO Mike Schmidt (left) says he’s confident Rustad will be a strong leader for the cooperative.

highest priorities were keeping rates affordable and keeping outage times low – priorities that will remain high as Rustad takes over as CEO in January 2023.

“The changes that we’ve been making recently have been the right ones to reduce outage times. It’s strategic,” Schmidt said.

“We’ve been trying to get rid of our east-to-west lines and put them underground,” Rustad replied, adding that the lines to be buried are ones that have historically caused problems during major wind events.

PKM Electric has seen more than its fair share of weather disasters, the most unforgettable being the devastating ice storm and flood of 1997. For two weeks, the PKM Electric staff worked out of the Minnkota Power Cooperative warehouse in Grand Forks, N.D.

“We were answering the phone without a computer system to look things up. We didn’t have a backup generator, so we were using flashlights,” he said. “We did our worst-case scenario planning, but this was way off the charts for worst-case. We had every single account out of power.”

The ice storm snapped around 3,500 of PKM’s 33,000 power poles. Ten percent of their line infrastructure was on the ground. However, in true cooperative fashion, line crews from around the region arrived to help. “We normally have eight or nine linemen, and there were 140 linemen working here. That was memorable.” Schmidt said.

Time of transition

Rustad says he admires the leadership qualities of his CEO predecessor, especially his policy of open and honest communication. Rustad will continue Schmidt’s monthly staff meetings to be sure the PKM family is informed of changes at the cooperative or the industry as a whole.

In addition to nearly two decades of learning from Schmidt, Rustad will also bring knowledge gained from the NRECA’s Management Internship Program (MIP), a six-week intensive course for aspiring cooperative leaders. At the start of the new year, he’ll join the ranks of more than 40 other CEOs across Minnesota, many of whom took the same path to leadership as he did.

“I told Jeff that if he needs help in the future, I’m available,” Schmidt said.

“You’re not changing your phone number,” Rustad teased back.

Schmidt might be harder to call in retirement, though. When he’s not spending time with his three children and four grandkids, he plans to be casting a fishing line up in the Lake of the Woods. “We have a place that’s remote, so it’s me and the bears and the wolves and the deer. And I hardly get a cellphone signal – emails don’t come in. So that’s pretty good,” he said with a smile.

By Kaylee Cusack / Photography Michael Hoeft
NEW FEDERAL ENERGY INCENTIVES TO ROLL OUT IN 2023

When Congress passed the Inflation Reduction Act (IRA) in 2022, it authorized billions of dollars in consumer programs to help install energy efficient technologies, purchase an electric vehicle or electrify other processes in your home. The average homeowner could qualify for more than $10,000 in tax credits or other incentives, which means there’s no better time to start planning for energy upgrades.

WHAT YOU NEED TO KNOW

Most of these programs will not be implemented until sometime in 2023. Once the programs kick in, most will last at least 10 years.

PKM Electric Cooperative already offers a robust set of rebates for electric heating systems, water heaters and vehicle chargers. Call our offices or visit our website to learn more!

It’s unlikely that you’ll qualify for all the tax credits and incentives at once. If you’re looking to energy-related purchases or home improvements, come up with a long-term plan that will allow you to take advantage of the incentives over time.

While PKM Electric Cooperative knows energy efficiency, heating and cooling systems, and electric vehicles, we’ll leave tax advisement to the professionals. Consult with a tax/financial advisor and make sure you know the income limits and other requirements before making any major decisions.

PKM Electric Cooperative has a team of energy experts to provide information and help you make the best decision for your home. Just because a tax credit is in place, doesn’t mean a specific system or technology is right for your unique needs. If you have a question, ask us!

6 UPCOMING INCENTIVES TO CONSIDER*

*Incentive levels and availability are dependent on income. Other requirements may be applicable.

HEAT PUMPS
There are massive incentives for households to install air-source heat pumps. Up to $8,000 in upfront discounts and up to $2,000 in tax credits are available. Geothermal heat pumps qualify for a 30% tax credit.

WEATHERIZATION
Weatherization efforts may qualify for up to $1,600 in upfront discounts and $1,200 in tax credits depending on income. This includes air sealing, ventilation and upgrades to insulation, doors and windows.

ELECTRIC PANEL
Upgrading your electrical panel (sometimes called breaker box) could qualify for up to $4,000 in upfront discounts and up to $600 in tax credits depending on income levels.

ELECTRIC VEHICLE
Thinking of purchasing an electric vehicle (EV)? You may qualify for up to $7,500 in tax credits for a new EV, or up to $4,000 for a used EV.

ELECTRIC STOVE
Up to $840 is available for the purchase and installation of an electric stove.

There are many other rebates and tax credits including whole home energy reduction efforts, battery storage installation, electric stoves, rooftop solar and more!
Electricity is a value. It powers our everyday lives, often for around $5 a day. Being a member of an electric cooperative – like you are – offers even MORE value to your dollar, because you’ll likely get some of that dollar back.

It’s a nice little system we like to call **CAPITAL CREDITS**.

Electric cooperatives operate as not-for-profit utilities, which means that any excess revenues (or margins) are returned to members, not shareholders. The margins are allocated every year according to how much energy the members each buy. Then they are retired later on and paid out to those members to which they were allocated.

Since 1988, the nation’s electric cooperatives have retired more than $19 billion to members. Yes, that’s billion with a “B.”

Let’s break down the process using this wheel to the right:

1. As you purchase electricity throughout the year, your cooperative tracks how much you have spent.
2. Your co-op uses revenues from members to “keep the lights on” – paying for line maintenance, power generation, new reliability projects and everything else that meets the co-op mission.
3. When the year comes to an end, your co-op’s board of directors (elected by you!) examines the finances and determines if there are margins (the excess revenue we discussed earlier).
4. Your cooperative divvies up (allocates) those margins to the members, according to how much they paid for energy that year.
5. When the co-op’s financial situation is in a good place, the board votes to retire (or pay out) those allocated capital credits. The year(s) that is paid out could be recent or well into the past.

Capital credits are not necessarily returned every year – that depends on the current financial needs of the cooperative. The co-op and board work together to keep rates as low as possible while still having the revenue needed to ensure safe and reliable electricity.

It pays to be a member of an electric cooperative!

If you have questions about capital credits or want to find out if you have any unclaimed credits, please contact PKM Electric at 218-745-4711 or online at www.pkm.coop.
What is Off-Peak?

An off-peak system consists of an electric heating source as its primary component. When PKM Electric Cooperative has high demand, the electric heat will automatically turn off and a supplemental heating source will need to operate in its place. Off-peak heating loads are generally controlled during the coldest months of the year when the demand for electricity is high.

By enrolling in the program, the savings we get on demand charges are passed on to the participating PKM Electric Cooperative members through the low off-peak electric rate, which is $0.054/kWh – approximately half of the regular retail rate. This rate is extremely competitive with petroleum fuels used for heating.

Minnkota Power Cooperative, our wholesale power provider, tracks demand peaks and when control is needed, it sends a message via power lines that will reach you by your individually programmed ripple receiver at your home, farm or business and will automatically switch to the supplemental heat source.

There are many options for your off-peak heating installation, but the main requirement is a reliable backup system to ensure you have heat on the coldest days. If you are interested in off-peak, please contact our Energy Services Department at 218-745-4711.

We want to continue to be able to offer this program for years to come. The way we will be doing that is yearly checks on our off-peak equipment to ensure it is working properly. We will be able to monitor them from the office, which may also require an in-home inspection of the equipment.

PKM ELECTRIC COOPERATIVE POLITICAL LEADERS

Federal Legislators
President Joe Biden
The White House
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Washington, D.C. 20500
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202-456-1111

Senator Tina Smith
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Phone: 202-224-5641

Senator Amy Klobuchar
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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
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Fax: 202-225-1593

State of Minnesota Legislators
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Capitol Building, Room 130
75 Rev. Dr. Martin Luther King Jr. Blvd.
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800-657-3717
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Senator Mark Johnson
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Room 3111
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651-296-5091
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rep.deb.kiel@house.mn

Northwest Community Action
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Badger, MN 56714-0067
(218) 528-3258 or 800-568-5329
northwestcap.org

Tri-Valley Opportunity Council, Inc.
1407 Erskine Street
Crookston, MN 56716
(218) 281-9080
Toll Free (866) 264-3729

Electrical Inspectors
Marshall and Kittson Counties
Ronald Ditsch: 218-779-6758

Polk County
George Stage: 218-284-1083

Problems paying your electric bill?

Energy assistance may be available!

If you are receiving a low income or suffering from a temporary financial shortfall, these agencies may be able to assist you with your electric bill. We urge you to contact them immediately to avoid disconnection if you feel you are eligible for aid.

Building Move East of Warren
Board meeting highlights September and October

A special meeting of the board was held Monday, Sept. 19, 2022.
Mark Hatton, president who presided, asked for roll call. Upon calling the roll, the president reported that all directors were present, with Director Aakre calling in and Director Beaudry absent.

Director Woinarowicz and Director Aakre gave their reports on Minnkota and Square Butte.

Line Superintendent Joe Marcotte presented the monthly safety and operations report, indicating no accidents and no lost time. The linemen have been busy with overhead line converting to underground projects, cable replacements, service improvements and maintenance.

The CEO shared miscellaneous information with the directors on the REDLG and First Aid training for everyone. NRECA was here with the topic of battery-powered tool safety, accident reviews and truck inspection.

Director Owens and Carrs.

The CFO opened her report with an office update. We are gearing up for the end of the year. She continued with the presentation of the Operating and Financial report for the cooperative. She reported that revenue is up $637,902.35 from last year. Historical data for margins for a 10-year PTD and YTD comparison were provided and discussed. Other financial data was presented and discussed along with the current tier of 2.00 down from last year and the equity ratio of 57.3% up a little from last year. We ended the month with a combined operating/non-operating margin of $172,954.78 and YTD is $428,566.46.

The CEO referenced his submitted written report outlining recent meetings he had attended.

Upon presentation of the reports from the management staff and CEO, questions and comments from the board of directors concerning their reports were addressed.

Third quarter financials were reviewed by the board of directors and found to be an accurate representation of the first half financial transactions.

The CEO reviewed with the board an agreement between the city of East Grand Forks and PKM. The annexation agreement is for 22.56 acres. The directors reviewed the draft agreement. PKM had signed an agreement similar back in July 2004 and an extension in January 2017.

Financials will be provided when received for Carr’s Tree Service.

DUAL FUEL MEMBERS:
Please check your backup system

If you have a dual fuel heating system, now is the time to be sure your backup heating system is prepared and that you have adequate fuel supply.

• Dual fuel heating systems are usually controlled during periods of high demand (such as frigid winter evenings), but other factors such as high market cost can lead to load control as well.

• Winter season load control time is managed to 250 hours, but could be more due to unforeseen conditions.

• Electric heating load control periods typically occur during early morning and evening peak demand times, however, load control can occur at any time.

• Participants should expect more control days this winter, with most occurring between December and February.

A regular meeting of the board was held Tuesday, Oct. 25, 2022.
Mark Hatton, president who presided, asked for roll call. Upon calling the roll, the president reported that all directors were present.

Director Woinarowicz and Director Aakre gave their reports on Minnkota and Square Butte.

Line Superintendent Joe Marcotte presented the monthly safety and operations report, indicating no accidents and no lost time. Highlights from his report included crews remain busy with getting URD cable in the ground with the help of Olson Underground and PKM receiving a big shipment of PM transformers, which were mostly rebuilt OH transformers to PM transformers. This supply of transformers should get us through most of next year.

The Manager of Member Services provided an update to directors regarding recent activities within his department. Allegiant has mostly completed Alvarado, Argyle and Euclid substations. They will be back to finish up any meters they missed. Minnkota had their load management meeting virtually. In the office we are waiting on the vendor to stop by so we can go over the plan to remove/ install carpet and cubicles.

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• Winter season load control time is managed to 250 hours, but could be more due to unforeseen conditions.

• Electric heating load control periods typically occur during early morning and evening peak demand times, however, load control can occur at any time.

• Participants should expect more control days this winter, with most occurring between December and February.
WINTER WEATHER CAN BRING POWER LINES DOWN

DID YOU KNOW:
• Downed power lines are extremely dangerous and even deadly?
• The current could spread through the ground and anything touching the ground?
• Stray voltage spreads like ripples on a pond?
• If you step from one “ripple” (voltage) to another you could be electrocuted?
• Downed lines could be hiding under standing water, ice or debris?

Learn more at safeelectricity.org

STAY WHERE YOU ARE
You’ve just been in an accident involving a downed power line. Your first instinct might be to get out and run, but that could cost you your life. In most cases, the safest place to be is inside your vehicle. Wait there until electric utility workers deenergize the power. If your car is on fire or you see smoke, escape as safely as possible by making a clean, solid jump out and hop away with both feet together as far away as you can. Warn others not to approach the scene.

Source: safeelectricity.org