

**TRAVERSE
ELECTRIC
COOPERATIVE, INC.**

2020

**WORK PLAN
SUMMARY**

TRAVERSE ELECTRIC
2020 WORK PLAN SUMMARY
ADMINISTRATIVE SECTION

WAGE AND SALARY

On October 1, 2019 Traverse Electric's union employees saw their wages increase by 2.75% or \$1.07 per hour, which is the amount negotiated in the new four-year contract. Other employees were awarded raises based on their position with TEC. To be competitive job descriptions were updated and an outside HR company reviewed them and compared to other MN co-ops similar in size. Raises varied depending on where their currently salary was at.

PERSONNEL RECORDS AND HUMAN RESOURCE DEPT.

Our Office Manager is Karen Lupkes and Karen will oversee the administration of employee benefits, employee personnel records, along with the daily time sheets and trouble reports. Karen's responsibilities will also include reviewing the bills received at the Co-op and all Aid to Contribution work done by our employees.

WASHINGTON DC TOUR AND LOBBYING

Traverse Electric will send one area student to Washington D.C. with the MREA Youth Tour in 2020; Possibly one staff or Board Member will travel with MREA staff and other lobbyists when possible or necessary.

BOARD ACTIVITIES

To stay informed on the challenges in our industry and to maintain relations with other Board Members, TEC Directors will try to attend the following meeting schedule.

SDREA Annual Meeting, Pierre, SD – January 16-17, 2020 (3 Directors)
East River Energize Forum – February 5-6, 2020
NRECA Annual Meeting, New Orleans, LA – March 1-4, 2020 (3 Directors)
MREA Annual Meeting, St. Paul, MN – March 17-18, 2020 (3 Directors)
Traverse Electric Annual Meeting, Wheaton, MN – March 19, 2020
MN District III Meeting, Alexandria, MN – July 9, 2020
East River Annual Meeting, Sioux Falls, SD – September 9, 2020
NRECA Regional Meeting, Des Moines, IA – September 15-17, 2020
Basin Annual Meeting, Bismarck, ND – November 4-5, 2020 (3 Directors)
MID-WEST Annual Meeting, Denver, CO – December 7-10, 2020

GENERAL MANAGER MEETINGS

East River Manager Meetings

NRECA National CEO Meeting, Palm Desert, CA – January 12-15, 2020

SDREA Annual Meeting, Pierre, SD – January 16-17, 2020

East River Energize Forum – February 5-6, 2020

NRECA Annual Meeting, New Orleans, LA – March 1-4, 2020

MREA Annual Meeting, St. Paul, MN – March 17-18, 2020

Traverse Electric Annual Meeting, Wheaton, MN – March 19, 2020

MREA REMA Meeting – Spring Conference, Waite Park, MN - April 8-10, 2020

CFC Forum – Salt Lake City, UT – June, 15-17, 2020

MN District III Meeting, Alexandria, MN – July 9, 2020

MREA Energy Issue Summit, St. Cloud, MN – August 12-13, 2020

MREA REMA Meeting – Fall Conference, September 9-11, 2020

East River Annual Meeting, Sioux Falls, SD – September 9, 2020

NRECA Region 5 & 6 Annual Meeting, Des Moines, IA – September 15-17, 2020

Basin Annual Meeting, Bismarck, ND – November 4-5, 2020

MID-WEST Annual Meeting, Denver, CO – December 7-10, 2020

MEMBER SERVICES

Stephen Powers is our Member Services Representative/Electrician and in 2020 will assist with the installation of our new AMI system (Landis & Gyr Gridstream RF) and verify load control receivers are working correctly. Stephen will also meet and answer any questions regarding our new generator program. Stephen will also oversee reporting our compliance with the State CIP (conservation program in Minnesota). All rebates, electric load control programs and meeting presentations will be his responsibility. Stephen will provide electrician work for the Co-op and its members.

SAFETY COMMITTEE

Dale Schwagel will continue to be our Safety Coordinator in 2020. Dale will see that all safety meetings are on schedule and report on the activities. He will also do unannounced crew observations and document the crew visits.

Dale will continue to oversee that TEC is meeting the requirements to maintain our Safety Accredited Cooperative status. In the spring of 2020 TEC will be going through the process of updating our safety accreditation (RESAP – Rural Electric Safety Achievement Program). In 2020, we will continue to utilize MREA and Star Energy for safety services.

MEMBER RELATIONS

We will continue with SDREA to have our news published in the monthly publication called Co-op Connections. We will also keep our website up to date, and we are currently

on Facebook. Facebook will continue to grow as our members adapt to using social media to reach the Co-op.

We will also hold district meetings in January and February to provide information about the Cooperative. In the past, we have found that combining two or more districts for one meeting works well.

Traverse Electric will hold its Annual Membership Meeting the third Thursday in March 2020 (March 19) at the Wheaton High School, providing prizes, a meal, entertainment, and the financial condition of the Co-op at that time.

BUSINESS SERVICES DEPARTMENT

2020 WORK PLAN SUMMARY

CASH MANAGEMENT

The office personnel will continue to manage our cash reserves in a low risk and prudent manner. We will also explore and take advantage of refinancing long-term loans to save on interest expense if possible. We will start to draw down on our RUS loan as needed. In November 2019, Traverse Electric used the RUS Cushion of Credit (CoC) to prepay existing long-term RUS & FFB loans with higher than 5% interest rates without penalties.

PERSONNEL

Current number of employees at Traverse Electric is 13 full-time, plus a once a week cleaning service.

CAPITAL CREDITS

To be able to continue our long-standing commitment to our members, Traverse Electric will plan on paying out patronage to estates and all members in 2019. The amount paid out will depend on our RUS Tier Ratio and will require action from the board. We will retire \$450,000 total in December 2019 pending board approval, to estates and members through general retirement by paying out the remaining 2002 capital credits and about 78% of the 2003 capital credits.

OPERATIONS 2020

WORK PLAN SUMMARY

CONSTRUCTION WORK PLAN

With Board approval of the new four-year workplan (2019-2022) in September of 2018 we will move forward with the process. We will look at the need to prepare a 10-year work plan for future improvement to our system.

Maintenance Schedules

LINE BREAKER TESTING

In 2020, we will continue with maintaining a four-year rotation for the maintenance and testing of OCR's.

Rotation Schedule:

2020 – MN Substations: Dumont, Wheaton (64 OCR's)
2021 – MN Substations: Beardsley, Graceville (70 OCR's)
2022 – SD Substations: Sisseton, Victor (78 OCR's)
2023 – MN Substations: Doran, Wendell (44 OCR's)

*2020 Line Breaker Testing: \$43,000.00

OVERHEAD LINE INSPECTION

Half the system will be inspected annually
Full system Bi-annually

2020 – South half of system
2021 – North half of system

*2020 South half of system: \$30,000.00

POLE TESTING AND TREATING

With 22,753 poles to test, TEC will maintain a ten-year rotation cycle. The rotation will result in 2,275 poles tested, inspected and GPS. In 2020, we will continue with pole testing in Minnesota.

*2020 Pole Testing / Treating & GPS: \$35,000.00

TREE TRIMMING

We anticipate spending some extra dollars for tree trimming in 2020. We have fallen behind on tree trimming and will look at the cost for a contractor for right-away-clearing and trimming. Dale has created a five-year rotation for our system for right-away-clearing.

*2020 Right-Away-Clearing and spraying: \$170,000.00

UNDERGROUND INSPECTIONS

TEC will maintain a five-year rotation on visually inspecting pad mount transformers, single phase and three phase modules.

TEC has roughly 1600 modules/pad mount transformers system wide and will be set to inspect 320 modules/transformers for a five-year rotation.

As this equipment is being inspected, each module/pad mount transformer will also be tested for hotspots with an infrared camera.

These inspections will be done by a contractor.

*2020 URD Inspections: \$13,000.00

*2020 Infrared: \$2,700.00

2020 WORK PLAN SUMMARY

EXPENSES AND REVENUE

SALES OF ELECTRICITY

Star Energy recently providing TEC with a Cost of Service Study / Rate Design. Star Energy recommended restructuring our rates classes. In April of 2019, we restructured our rates to allow for proper cost allocation for the appropriate rate class. We anticipate no rate increase in 2020 but will continue to evaluate rates periodically.

Market Rate:

Our rates to the Marshall Dairy East will be the market rate which is set by East River where we will see an increase with Coincident Demand of \$22.64/kw-month (\$0.20 increase) and Energy charge of 36.79 mills/kWh (.28 mills/kWh decrease). Traverse Electric's board will set the monthly facility charge, kWh and demand charges for the dairy based on East River's rates to us.

- Market Rate Schedule (East River to Traverse Electric)
 - Coincident Demand (\$/kW-mo.) 22.64
 - Energy (mills/kWh) 36.79

East River Rate:

East River's demand rate per KW will remain at \$17.50. As a whole TEC will see a .25 mill increase from East River due to their construction workplan in 2020. See East River letter on following page.

East River Rate Schedule (East River to Traverse Electric)

- Base Demand (\$/kW-mo.) 17.50
- Base Energy (mills/kWh) 30.40
- Fixed Charge (\$/mo.) 1,450.00
- Substation Delivery Point Charge (\$/sub/mo.) 1,175.00
- Substation Capacity Charge (\$/kW-year) 4.00
- Electric Heat (mills) 35.60
- 5/7 Interruptible (mills) 30.40

OTHER INCOME AND INTEREST INCOME

Other income is payments made by our members due to late fees, collection charges, and reconnect fees. The amount generated by other income will be around \$19,000.

Interest Income is generated through interest paid by our members through ERC loans, interest on our general fund checking account balance, and interest from our short-term investments with CFC. In 2020, we expect to earn around \$90,000 in interest from these sources.

2020 WORK PLAN SUMMARY

EXPENSES

PURCHASED POWER

Purchased power is the largest portion of our operating expenses and accounts for over 62.62% of all expenditures. East River will be implementing a rate increase of .25 mills in 2020. We expect our average wholesale power costs for the upcoming year to stay around 59.14 mills.

OPERATION AND MAINTENANCE

In order to maintain our system and requirements for RUS and our insurance provider, these are the breakdown of expenses:

Line Breaker Testing - \$43,000.00
Overhead Line Inspection - \$30,000.00
Pole Testing and Treating - \$35,000.00
Tree Trimming - \$170,000.00
Underground Inspection - \$13,000.00
Underground Infrared - \$2,700.00

CONSUMER ACCOUNTING EXPENSE

We will continue with our rebates on air conditioner/heat pumps, water heaters, and third-party remote managed irrigation systems in 2020.

We will be updating our billing statement look in 2020 at the cost of approximately \$6,300.

There may be additional expenses for software and IT upgrades.

ADMINISTRATIVE EXPENSE

Our administrative expenses will increase slightly due to salary increases.

INTEREST AND DEPRECIATION

Interest on our long-term debt will decrease in 2020 with paying off over \$2.4 million in FFB & RUS loans using our CoC. Our Co-Bank loan will also be paid off in June of 2020.

Depreciation for plant & general plant will be approximately \$805,000.00, which includes TEC's new AMI RF metering system in 2020.

2020 ESTIMATED DUES DONATIONS CAPITAL EXPENSES

MREA	\$26,500 (2020)
NRECA	\$5,300
SDREA	\$6,851.80 (actual)
WHEATON CHAMBER	\$200

We will continue with our tradition of good will donations to local effort, and radio ads with Board approval. TEC will stay close to the amount of \$7,500.00 in 2020.

2020
Rates
Jan-Dec

DELIVERY POINT RATE SUBS	1,175.00
CAPACITY RATE Transformer KW	4.00
ELECTRIC HEAT RATE KW	0.00
ELECTRIC HEAT RATE KWH	35.60
5/7 INTERRUPTIBLE RATE KW	0.00
5/7 INTERRUPTIBLE RATE KWH	30.40
BASE DEMAND RATE COIN KW	17.50
BASE ENERGY RATE KWH	30.40
Missed Control Adder KWH	0.00



A Touchstone Energy® Cooperative 

211 South Harth Ave. | P.O. Box 227
Madison, SD 57042-0227

Telephone: (605) 256-4536
Fax: (605) 256-8058

October 4, 2019

Mr. Joel Janorschke, Manager
Traverse Electric Cooperative, Inc.
PO Box 66
Wheaton, MN 56296

Dear Joel:

The East River Board of Directors approved the Market Rate applications for 2020 at the October 3, 2019, Board Meeting. Rates are subject to final approval by the East River board at its November meeting, but we are providing market rate information to you as early as possible under the assumption that rates will not change.

	Marshall Dairy
East River Rates to Traverse Coincident Demand (\$/kw-month) Energy (mills/kWh)	22.64 36.79
Traverse Rates to Customer Coincident Demand (\$/kw-month) Energy (mills/kWh) Facility Charge (\$/month)	Determined by the Member.

I will provide the spreadsheets used to determine these rates via email. Please contact me if you have any questions.

Sincerely,



Michael Volker
Rates and Treasury Manager

MV/ks