

TRAVERSE ELECTRIC COOPERATIVE, INC.

2021

WORK PLAN SUMMARY



TRAVERSE ELECTRIC COOPERATIVE, INC. 2021 WORK PLAN SUMMARY

TRAVERSE ELECTRIC

ADMINISTRATIVE SECTION

WAGE AND SALARY

On October 1, 2020, Traverse Electric's union employees saw their wages increase by 3% or \$1.20 per hour, which is 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 it to other MN co-ops similar in size. Raises varied depending on where their current salary was at.

PERSONNEL RECORDS AND HUMAN RESOURCE DEPT.

Our Office Manager is Karen Lupkes, and Karen will oversee employee benefits, employee personnel records, and daily timesheets 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

Due to Covid-19, Traverse Electric will not be sending one area student to Washington D.C. with the MREA Youth Tour in 2021; 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 maintain relations with other Board Members, TEC Directors will try to attend the following meeting schedule.

SDREA Annual Meeting, Pierre, SD – January 15, 2021 (3 Directors)
East River Energize Forum – February 5-6, 2021
NRECA Annual Meeting; Virtual – February 18-24, 2021
MREA Annual Meeting, St. Paul, MN – March 1-3, 2021 (3 Directors)
Traverse Electric Annual Meeting, Wheaton, MN – March 25, 2021
MN District III Meeting, Alexandria, MN – July 15, 2021
MREA Energy Issue Summit, St. Cloud, MN – August 11-12, 2021
East River Annual Meeting, Sioux Falls, SD – September 9, 2021
NRECA Regional Meeting, TBD – September 2021
Basin Annual Meeting, Bismarck, ND – November 4-5, 2021 (3 Directors)
MID-WEST Electric Consumer Ass. Annual Meeting, Denver, CO – December 7-10, 2021

GENERAL MANAGER MEETINGS

East River Manager Meetings
NRECA National CEO Meeting, Amelia Island, FL – January 13-16, 2021; Will Not Attend
SDREA Annual Meeting, Pierre, SD – January 13-16, 2021 - Virtual
East River Energize Forum – February 5-6, 2021
NRECA Annual Meeting, Virtual – February 18-24, 2021

TRAVERSE ELECTRIC COOPERATIVE, INC. 2021 WORK PLAN SUMMARY

MREA Annual Meeting, St. Paul, MN – March 1-3, 2021
Traverse Electric Annual Meeting, Wheaton, MN – March 25, 2021
MREA REMA Meeting – Spring Conference, TBD - April 7-8, 2021
CFC Forum – Salt Lake City, UT – June, 15-17, 2021; Cancelled
MN District III Meeting, Alexandria, MN – July 15, 2021
MREA Energy Issue Summit, St. Cloud, MN – August 11-12, 2021
MREA REMA Meeting – Fall Conference, TBD - September 8-10, 2021
East River Annual Meeting, Sioux Falls, SD – September 9, 2021
NRECA Region 5 & 6 Annual Meeting, TBD – September 2021
Basin Annual Meeting, Bismarck, ND – November 4-5, 2021
MID-WEST Annual Meeting, Denver, CO – December 7-10, 2021

MEMBER SERVICES

Stephen Powers is our Member Services Representative/Electrician. In 2021, he will verify that load control receivers are working correctly and correct reverse rotation on load management meters. 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 2021. 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 2021, 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 on the fourth Thursday in March 2021 (March 25) at the Wheaton High School, providing prizes, a meal, entertainment, and the Co-op's financial condition at that time.

TRAVERSE ELECTRIC COOPERATIVE, INC. 2021 WORK PLAN SUMMARY

BUSINESS SERVICES DEPARTMENT

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.

PERSONNEL

Current number of employees at Traverse Electric is 13 full-time, plus a once a week cleaning service. We are planning for the addition of two new employees (one electrician and one lineworker).

CAPITAL CREDITS

To continue our long-standing commitment to our members, Traverse Electric will plan on paying out patronage to estates and all members in 2021. The amount paid out will depend on our RUS Tier Ratio and will require action from the board. We will retire \$560,000 in December 2021, pending board approval, to estates and members through general retirement by paying out the remaining 2004 capital credits and a portion of the 2005 capital credits.

TRAVERSE ELECTRIC COOPERATIVE, INC. 2021 WORK PLAN SUMMARY

OPERATIONS DEPARTMENT

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 2021, we will continue with maintaining a four-year rotation for the maintenance and testing of OCR's.

Rotation Schedule:

2021 – MN Substations: Beardsley, Graceville (70 OCR's)

2022 – SD Substations: Sisseton, Victor (78 OCR's)

2023 – MN Substations: Doran, Wendell (44 OCR's)

2024 – MN Substations: Dumont, Wheaton (64 OCR's)

*2021 Line Breaker Testing: \$50,000.00

OVERHEAD LINE INSPECTION

Half the system will be inspected annually

Full system Bi-annually

2021 – North half of system

2022 – South half of system

*2020 South half of system: \$23,000.00

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 2021, we will continue with pole testing in Minnesota.

*2021 Pole Testing / Treating & GPS: \$32,000.00

TREE TRIMMING

We anticipate spending some extra dollars for tree trimming in 2021. We have fallen behind on tree trimming and will look at a contractor's cost for right-away-clearing and trimming. Dale has created a five-year rotation for our system for right-away-clearing.

*2021 Right-Away-Clearing and spraying: \$180,000.00

TRAVERSE ELECTRIC COOPERATIVE, INC. 2021 WORK PLAN SUMMARY

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.

A contractor will do these inspections.

*2021 URD Inspections: \$14,000.00

*2021 Infrared: \$2,500.00

TRAVERSE ELECTRIC COOPERATIVE, INC. 2021 WORK PLAN SUMMARY

EXPENSES AND REVENUE

SALES OF ELECTRICITY

Star Energy Services recently provided 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 the appropriate rate class's proper cost allocation. We anticipate no rate increase in 2021 but will continue to evaluate rates periodically.

Market Rate:

East River has set the market rate for Marshall Dairy East, where we will see an increase of \$0.04 for a Coincident Demand of \$22.68/kw-month and a decrease of .43 mills for an Energy charge of 36.36 mills/kWh. Traverse Electric's board will set the monthly facility charge, kWh, and demand charges for the dairy-based on East River's rates.

- Market Rate Schedule (East River to Traverse Electric)
 - Coincident Demand (\$/kW-mo.) 22.68
 - Energy (mills/kWh) 36.36

East River Rate:

East River's 2021 rates will remain consistent with 2020, except there will be an increase in the substation delivery point charge of \$100.00/sub/mo. and an increase of \$0.14/kW/year in the substation capacity charge. See East River letter on the following page (See Appendix A).

East River Rate Schedule (East River to Traverse Electric)

- Base Demand (\$/kW-mo.) \$17.50
- Base Energy (mills/kWh) 30.40 (\$0.03040)
- Fixed Charge (\$/mo.) \$1,450.00
- Substation Delivery Point Charge (\$/sub/mo.) \$1275
- Substation Capacity Charge (\$/kW-year) \$4.14
- Electric Heat (mills) 35.60 (\$0.03560)
- 5/7 Interruptible (mills) 30.40 (\$0.03040)

TRAVERSE ELECTRIC COOPERATIVE, INC. 2021 WORK PLAN SUMMARY

OTHER INCOME AND INTEREST INCOME

Other income is our members' payments due to late fees, collection charges, and reconnect fees. The amount generated by other income will be around \$15,000.

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 and potential with Basin. In 2021, we expect to earn around \$80,000 in interest from these sources.

TRAVERSE ELECTRIC COOPERATIVE, INC. 2021 WORK PLAN SUMMARY

EXPENSES

PURCHASED POWER

Purchased power is the most considerable portion of our operating expenses and accounts for over 61.45% of all expenditures. We expect our average wholesale power costs for the upcoming year to stay around 58.49 mills.

OPERATION AND MAINTENANCE

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

Line Breaker Testing - \$50,000.00
Overhead Line Inspection - \$23,000.00
Pole Testing and Treating - \$32,000.00
Tree Trimming - \$180,000.00
Underground Inspection - \$14,000.00
Underground Infrared - \$2,500.00

CONSUMER ACCOUNTING EXPENSE

We will continue with our rebates on air conditioner/heat pumps, water heaters, and third-party remote managed irrigation systems in 2021.

We will also continue to provide appliance rebates without East River's match.

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 in our long-term debt decreased in 2021 with paying off over \$2.4 million in FFB & RUS in 2019.

Depreciation for plant & general plant will be approximately \$750,000.00.

TRAVERSE ELECTRIC COOPERATIVE, INC. 2021 WORK PLAN SUMMARY

ESTIMATED DUES DONATIONS CAPITAL EXPENSES

MREA	\$28,779.69 (8.93% or \$2,359.87 increase from 2020)
NRECA	\$5,700
SDREA	\$7,995.42 (\$895.42 increase from 2020)
SISSETON CHAMBER	\$250
WHEATON CHAMBER	\$200

We will continue our tradition of goodwill donations to the local effort and radio ads with Board approval. TEC will stay close to the amount of \$9,000.00 in 2021.

TRAVERSE ELECTRIC COOPERATIVE, INC. 2021 WORK PLAN SUMMARY

October 7, 2020

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 2021 at the October 1, 2020, Board Meeting. This letter confirms the rates for the Traverse load served under East River's Market Rate for 2021.

	Marshall Dairy
East River Rates to Traverse Coincident Demand (\$/kw-month) Energy (mills/kWh)	22.68 36.36
Traverse Rates to Customer Coincident Demand (\$/kw-month) Energy (mills/kWh) Facility Charge (\$/month)	Determined by the Member.

Please contact me if you have and
questions.

Sincerely,

Michael Volker
Rates and Treasury Manager





MV/ck



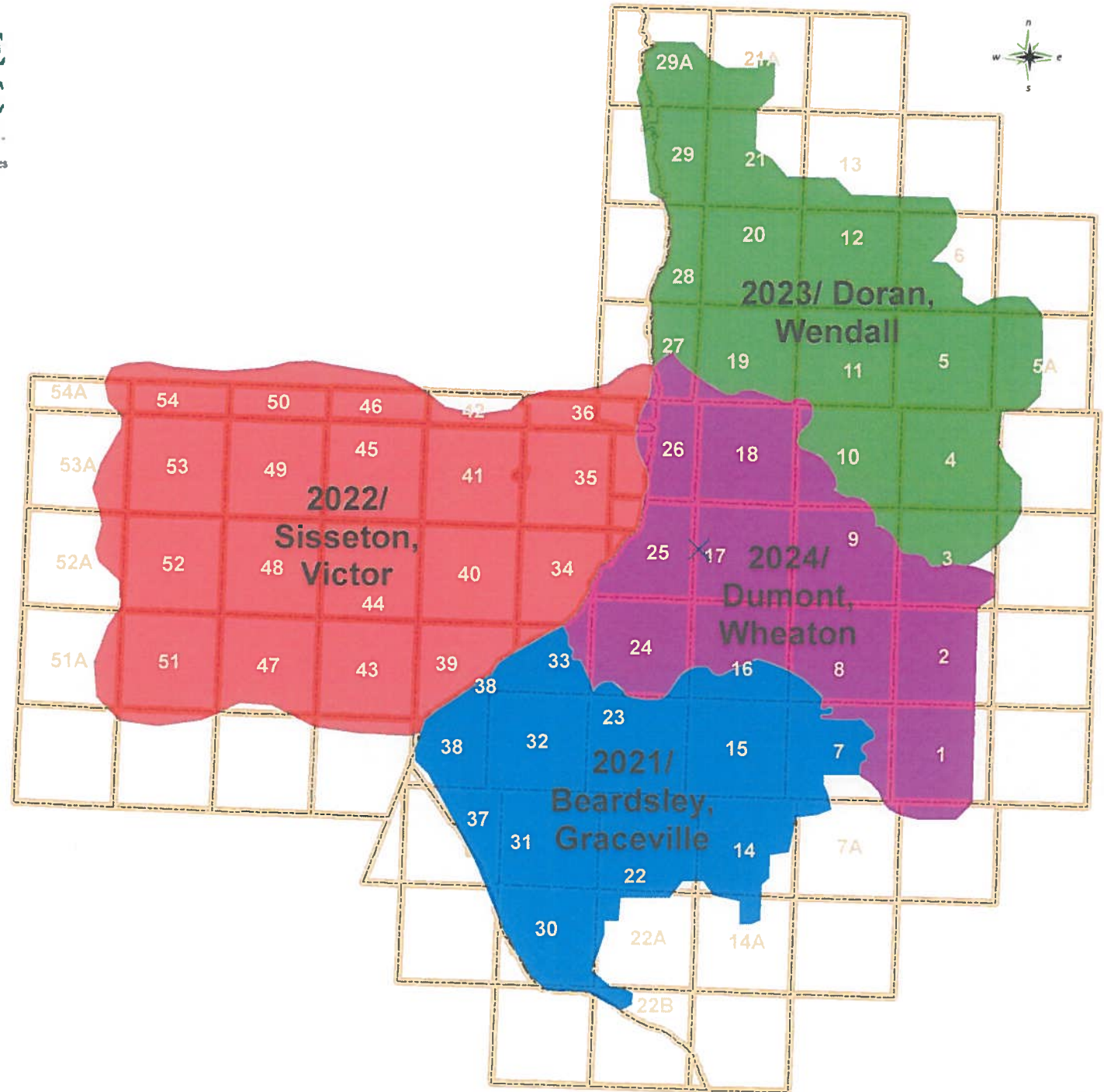
**TRAVERSE
ELECTRIC**
COOPERATIVE, INC.

 Touchstone Energy® Cooperatives
The power of human connections®

OCR Maintenance Inspection Year

-  2021
-  2022
-  2023
-  2024

 Township



This map was produced for reference only by STAR Energy Services LLC, using the most current information available at the time of production. The Utility and STAR Energy Services LLC cannot be held liable for errors.

Map Produced: October 29, 2020



**TRAVERSE
ELECTRIC**
COOPERATIVE, INC.

 Touchstone Energy® Cooperatives
The power of human connections®

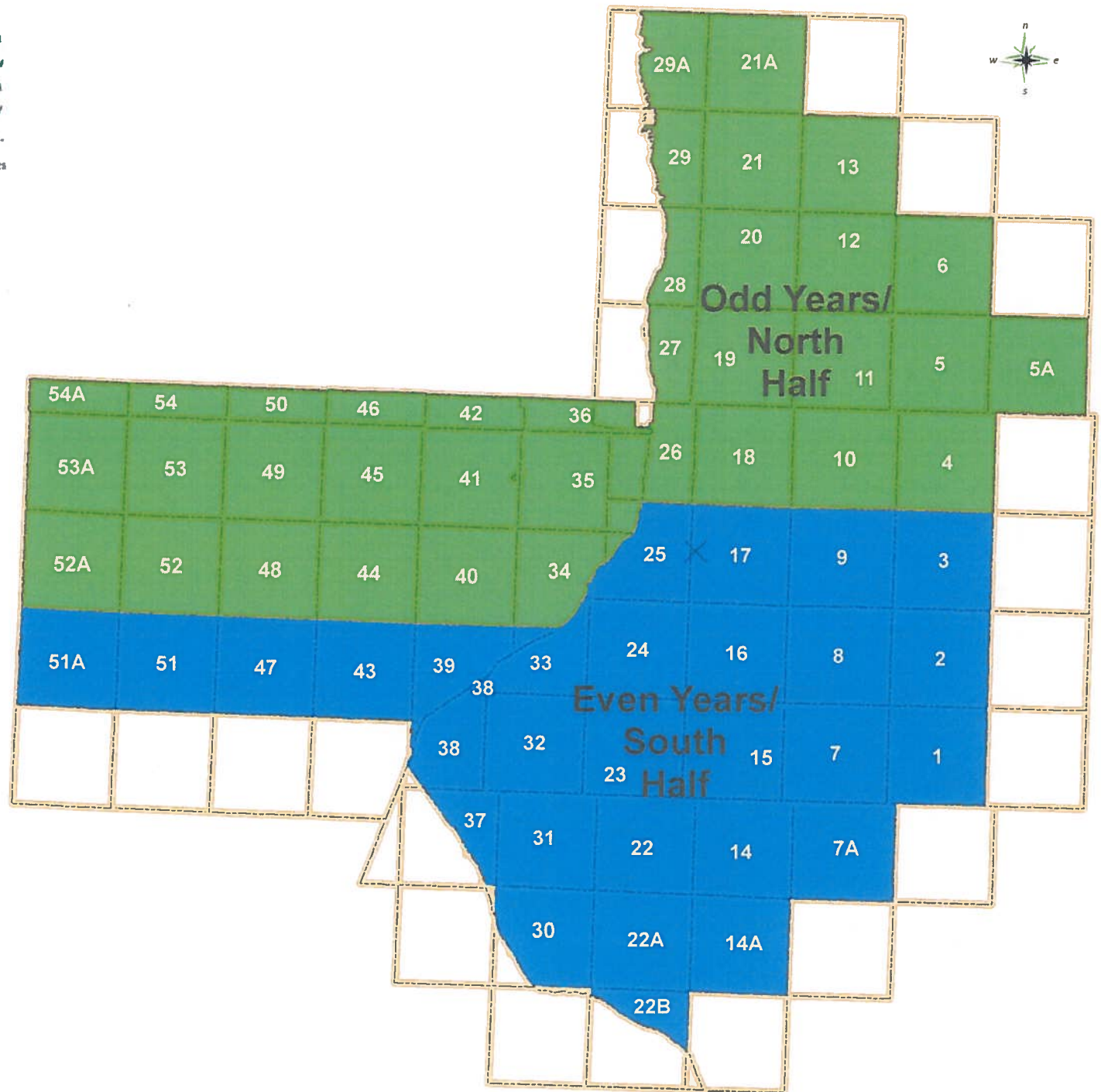
Overhead Line Inspection

Year

 Even Years

 Odd Years

 Township



This map was produced for reference only by STAR Energy Services LLC, using the most current information available at the time of production. The Utility and STAR Energy Services LLC cannot be held liable for errors.
Map Produced: October 29, 2020













**TRAVERSE
ELECTRIC**
COOPERATIVE, INC.

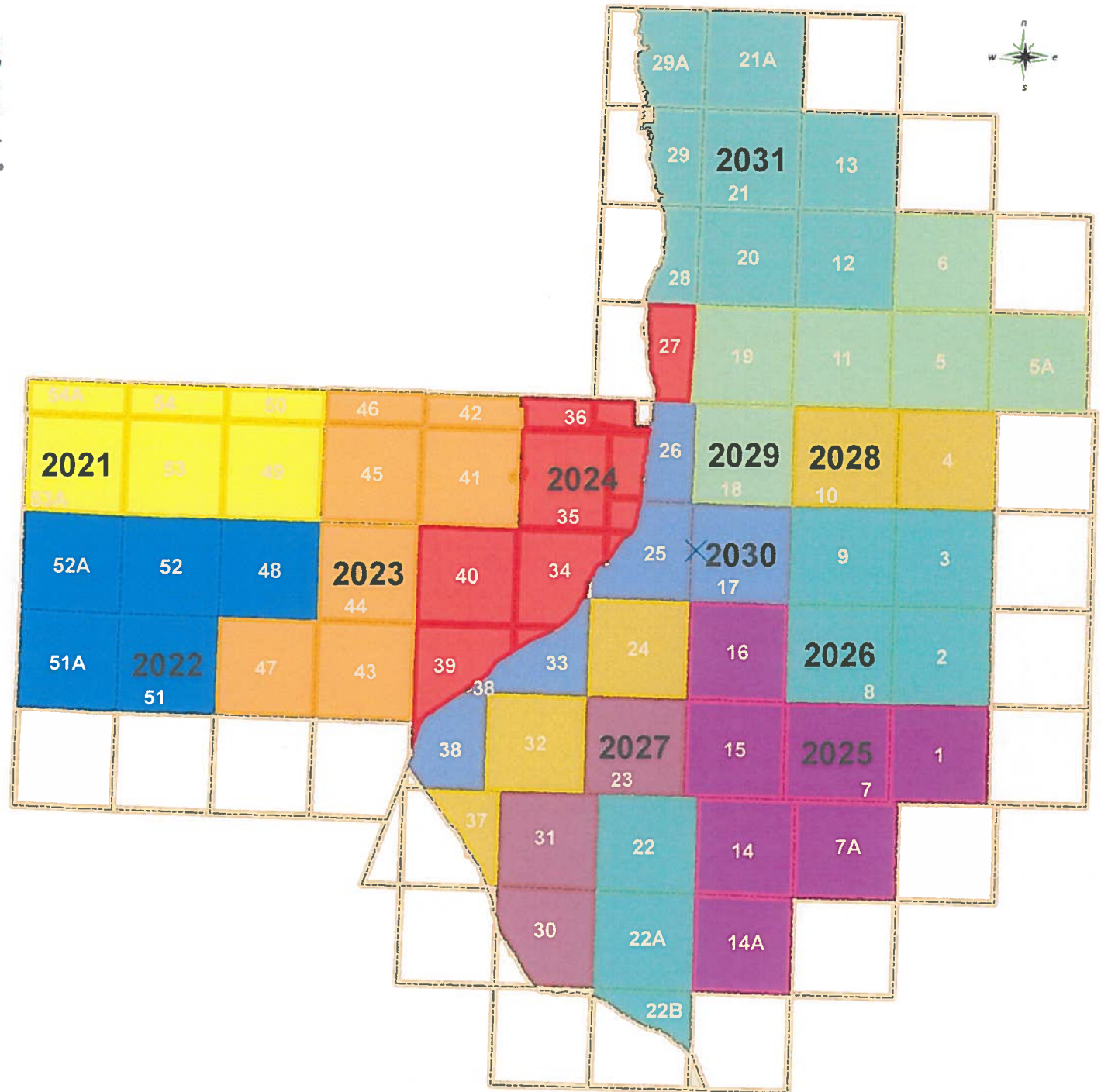
 Touchstone Energy® Cooperatives
The power of human connections®

Pole Inspection Schedule

Inspection Year

-  2020
-  2021
-  2022
-  2023
-  2024
-  2025
-  2026
-  2027
-  2028
-  2029
-  2030
-  2031

 Township



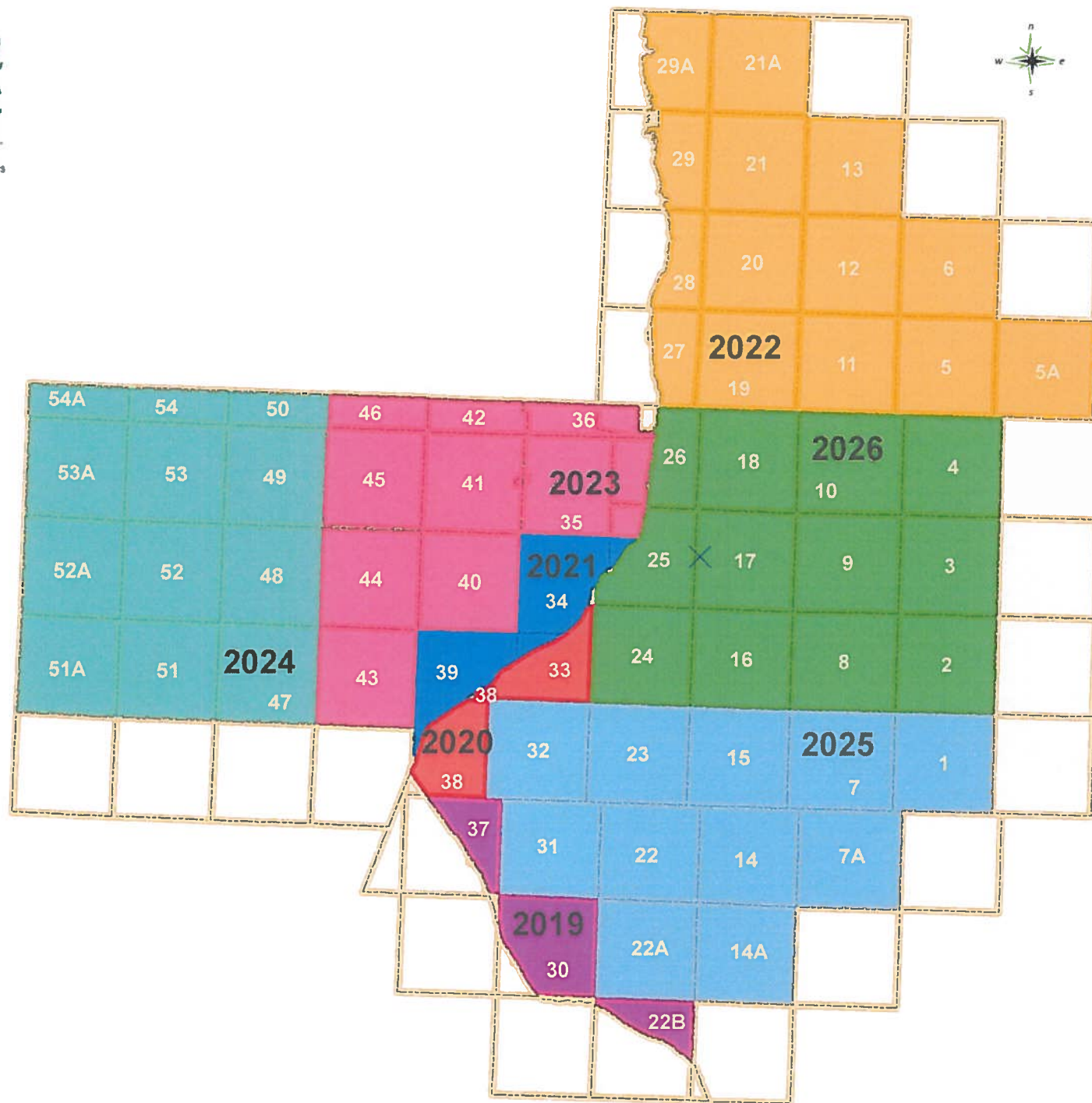
This map was produced for reference only by STAR Energy Services LLC, using the most current information available at the time of production. The Utility and STAR Energy Services LLC, cannot be held liable for errors.
Map Produced October 28, 2020



TRAVERSE
ELECTRIC
COOPERATIVE, INC.

Touchstone Energy® Cooperatives
The power of human connections®

Tree Clearing Inspection Year



This map was produced for reference only by STAR Energy Services LLC, using the most current information available at the time of production. The Utility and STAR Energy Services LLC, cannot be held liable for errors.
Map Produced October 29, 2020

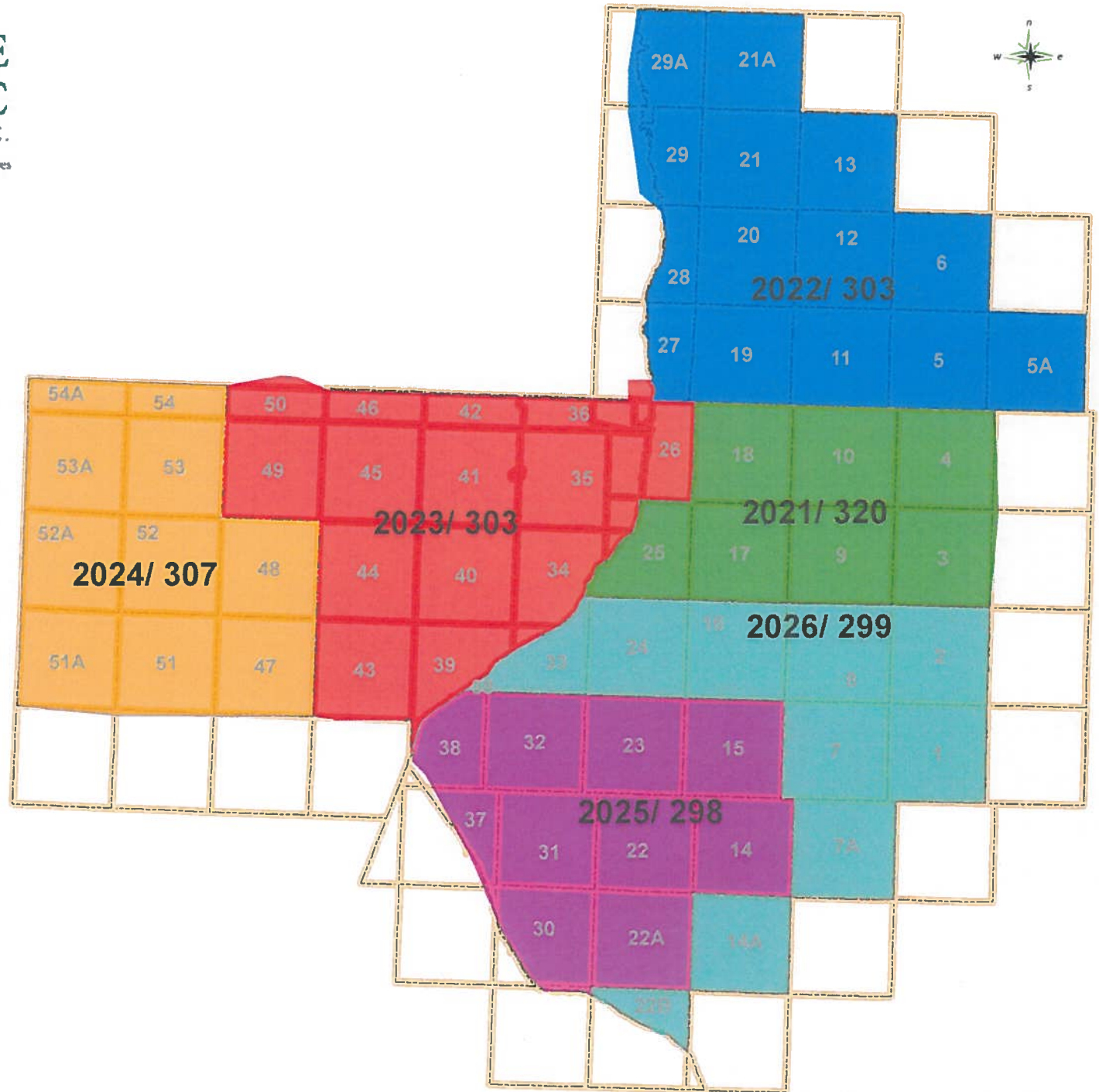


**TRAVERSE
ELECTRIC**
COOPERATIVE, INC.

 Touchstone Energy® Cooperatives
The power of human connections®

URD Inspection Schedule

Inspection Year



This map was produced for reference only by STAR Energy Services LLC, using the most current information available at the time of production. The Utility and STAR Energy Services LLC cannot be held liable for errors.
Map Produced October 30, 2020