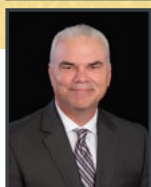




MANAGER'S MESSAGE • PAT CARRUTH



General Manager

Local Democracy Bill Signed into Law

The bipartisan Local Democracy Provision that Gov. Dayton vetoed as a stand-alone bill in March was signed into law in the Jobs and Energy Bill. The intent of the law is to eliminate costly and redundant regulation through the politically appointed Public Utilities Commission (PUC) that oversees investor-owned utilities. Cooperatives, of course, are controlled by their local, democratically elected board made up of member-owners. Previous to this law, the only item that the PUC had control over us is in the way we handled small renewables under 40 kw.

In 2015, there was a change in the law as to how we were able to handle small renewables under 40 kw. Under this new law, members who net any energy back to the cooperative would not be paid the average retail rate of, but more of an "avoided cost" for their energy sold back. For Minnesota Valley, we put the avoided cost rate at our wholesale power rate. The thought being this is the only cost being avoided when a member nets energy back into our system. This lowered the subsidy that members who don't have windmills or solar panels would have to pay those who do that net their energy back into the system. The rate we pay has been set by our board—our "Commission" of board members elected by the member-owners of the cooperative. The new "avoided cost" rate that we have been paying members with renewables who net energy back to the cooperative is still being subsidized by the balance of the membership, just not to the extreme of paying them average retail rates like we were forced to a couple of years ago.

We started paying the lower avoided cost rate when the law was changed two years ago. We had at least one member take us to the PUC arguing that we should pay more. It was expensive for us to show the PUC that we were following the State Law, as well as trying to be equitable to the balance of the membership in the way we set our rates.

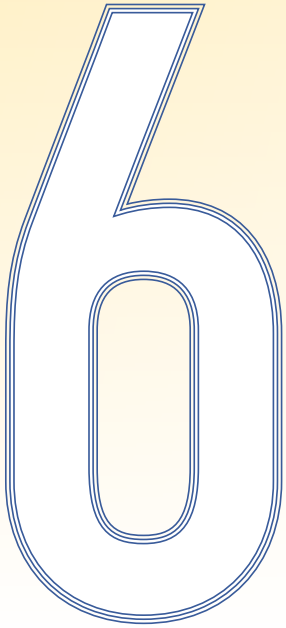
Going forward, we will continue to pay small renewables a rate for their net energy set by our board. With this new law, if a member wants to dispute that rate they will have no recourse to the PUC. They can request we go through a mediation process and they will have to pay part of that cost. If they, or the cooperative, are not happy with the mediated results, court is another option.

We have a handful of members of Minnesota Valley who have installed small scale renewable energy systems of 40 kW or under at their place—mostly small wind turbines and some solar facilities. We agree with the intent of Public Utility Regulatory Policies Act of 1978 (PURPA), which says that you should be able to self-generate to serve your own power needs if you wish.

The State of Minnesota took this a step further saying that we should pay members for their excess generation something more than "avoided cost", which is what PURPA requires. "Avoided cost", for the most part, means the avoided cost of fuel, coal cost for example, on making that energy. Minnesota Valley pays members our average wholesale power rate for any excess energy brought back into our system. Today, that is 5.4 cents per kWh. PURPA would require us to pay 2.3 cents per kWh. Of course, we follow the state law. Many times over the years when a member is considering a small self-generation project, they come in with the notion that we should pay more than what we do. We have a duty to all member-owners of Minnesota Valley. If we pay a member who self-generates more than what our wholesale power cost is, the rest of the members are subsidizing them. We are not against renewable energy - we are against one member being forced to subsidize another. If you are considering a small renewable project, please talk to our people in Member Services before you go ahead with the project. They can help you avoid many of the typically unforeseen issues these projects entail.

Co-op Principle Six: Cooperation Among Cooperatives

*This year we are featuring the seven different cooperative principles. Minnesota Valley Cooperative Light & Power Association adheres to these seven principles when making decisions that impact your cooperative. This month we are featuring co-op principle number six – **Cooperation Among Cooperatives**.*



Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Minnesota Valley Cooperative Light & Power Association understands the value of learning from and assisting its fellow cooperatives. One of the primary examples of this cooperation among cooperatives can be seen through Minnesota Valley's involvement with the Minnesota Rural Electric Association (MREA). This statewide organization represents the electric cooperatives throughout the state of Minnesota.

Fostering unity among and providing services to each of our state's 50 electric cooperatives is the primary function of the MREA. The group identifies talent and expertise within the network of cooperatives, including outside experts,

to address emerging and critical issues that impact electric cooperatives.

By joining forces, our state's electric cooperatives have a strong, unified voice. Combining resources and adopting likeminded goals allows co-ops to influence and impact decisions made on both a statewide and national level. R two thirty two zero four This collective voice has helped bring about legislative changes that advocate for and positively impact the people in our local community.

Our nation's electric cooperatives are also committed to providing assistance when and where it is needed. When severe storms or natural disasters hit our nation, cooperatives from around the country volunteer to send crews to help repair damaged electrical infrastructure. By working together, cooperatives are stronger.

Youth Tour Student Returns from Washington, D.C.

For over 50 years, rural electric cooperatives across the country have sponsored students on the annual Rural



Electric Youth Tour to Washington, D.C. Each participating co-op selects a high school student from their service area for the trip. This year, **Ben Hendrickson** represented Minnesota Valley. He spent June 10th-15th in our nation's capital for an unforgettable week of activity. While there,

the group had the opportunity to learn first-hand what it is like to be involved in politics, community service and today's pressing issues in the energy industry.

The trip combines leadership opportunities, sight-seeing tours and just plain fun. One of the days is spent on Capitol Hill questioning senators and representatives on issues that affect all of us. Students witness the grandeur of monu-

ments to our greatest leaders; reflect on the true cost of freedom by seeing the Vietnam Veterans Memorial Wall, the World War II Memorial and row upon row of white crosses at Arlington Cemetery; watch the changing of the guard at the Tomb of the Unknown Soldier; listen to inspirational speakers and gather as a group to learn about other parts of our nation.



COGENERATION AND SMALL POWER PRODUCTION NOTICE

The Minnesota State Legislature recently passed and the Governor signed into law, legislation that allows electric cooperatives to adopt the authority implementing self-governing of distributed generation sites (Minnesota Statute 216B.164). To do so, the Cooperative had to pass a Resolution adopting this authority and adopt rules implementing this section of statute.

The purpose of this change is to secure local decision-making. The Cooperative will provide information regarding rates and interconnection requirements to all interested members free of charge upon request (www.mnvalleyrec.com). An application of interconnection is required for a Qualifying Facility to interconnect and operate in parallel with the Cooperative's distribution system and is subject to approval by the Cooperative.

Any disputes between the Cooperative and its members over interconnection, sales and purchases can be resolved between those parties and may be taken to a mutually agreed upon mediator as outlined in the rules implementing 216B.164.

Members interested in obtaining further information should contact Bob Walsh, Member Services Manager, Minnesota Valley Cooperative Light and Power Association at 320.269.2163/800.247.5051.



ENGINEERING & OPERATIONS • BOB KRATZ



Manager of Engineering & Operations

Just as I was going to write that the weather had been cooperating, Mother Nature decided to change that. On the morning of June 11th, high winds broke off 13 of our transmission poles between our Garfield and Rosen Substations. We had to back feed that line so Karian/Peterson, LLC could come in and replace those poles. There were also 3-phase poles broke northwest of the Canby Substation and southwest of Riverside Substation, with various single phase poles broken throughout other areas of Minnesota Valley's system. Also numerous outages were caused by the



wind from trees and flying debris. The wind picked up again on the 13th and caused some damage, with the worst being a transmission pole east of the Madison Substation. Most of the restoration work was completed by June 14th. We thank you for your patience during these outages.

Other than the extra work caused by the storm, the crews have been busy with service upgrades, changing out poles and installing underground cable. We are still seeing a few poles being hit by equipment; please be aware when working around poles and overhead wires.

Energy Efficiency Tip of the Month

Setting your thermostat to a colder setting than normal when you turn on your air conditioner will not cool your home any faster and could result in excessive cooling and unnecessary expense.



Source: U.S. Dept. of Energy

From left to right: Dylan Abraham, Jason Van Engen, Preston Herfurth, David Nelson, Riley Emery and Ethan Oberg



Comparative Report

	Jan-May 2017	Jan-May 2016	Jan-May 1997
Kwh Purchased	87,779,038	86,282,413	60,920,598
Kwh Sold	83,350,203	81,920,451	57,643,637
Cost Of Purchased Power	\$3,989,534	\$3,649,532	\$1,780,309
Patronage Capital Margins	\$344,947	\$967,875	\$133,083
Reserve For Taxes	\$114,583	\$114,583	\$140,000
Cost Per Kwh Purchased (mills)	45.45	42.30	29.84
	May '17	May '16	May '97
Total Plant	\$70,050,327	\$67,475,075	\$28,979,530
Number of Active Services	5,268	5,256	5,155
Average Residential Bill	\$172.47	\$164.88	\$109.74
Average Residential Kwh Consumption	1,454	1,392	1,306
Average Kwh Usage All Consumers	2,498	2,488	1,749
Peak Kw Demand (Peak Load)	24,332	23,874	18,058

Find Your Location for a \$10 or \$20 Bill Credit!

There are two hidden account numbers in this newsletter. If one of them is your number, you will receive a \$10 energy credit or \$20 if you are an Operation Round Up participant. Keep looking each month—it could be your number! If you find your number in the newsletter, call the office at 320.269.2163 or 800.247.5051.

There were no winners last month. Keep looking!





Member Services Manager

Democracy at the Local Level

The Governor announced May 30th that he has signed the budget/omnibus bills, including the Jobs and Energy Bill, which contained the electric cooperatives' Local Democracy provision. So what do we mean by local democracy? State legislation was passed years ago (216B.164) that allowed renewable energy producers to generate electricity and any of their surplus energy could be made available to be sold back to the power company that serves them. Any disputes that arose between renewable energy producers and electric cooperatives were heard by the Minnesota Public Utilities Commission (PUC). This new legislation now gives the cooperatives an opportunity to opt out of this process and set policy by our local board. Any unresolved disputes that would then come up could be heard by a mutually agreed upon mediator and would not have to go through the quite cumbersome PUC process.

At the end of the day, we have to be able to say that the cooperative sets policy that make our rate structures as equitable as possible for all of our members. For over ¾ of a century, local cooperative members have elected their own peers to be their representative to the Board of Directors of

Minnesota Valley Cooperative. G two twenty six zero three This new legislation does nothing more than to continue to allow your board representatives to keep the cooperative's local policy making authority.

Double Rebate Days Are Still Going On

The main reasons for installing a heat pump are higher efficiencies, attractive heat rates and low interest financing. Now through Labor Day we will DOUBLE the rebates given for the installation of an air to air heat pump or a geothermal heat pump. That makes an already attractive heating system look that much better. These rebates will run from April 1st, 2017 through September 4th, 2017. The system needs to be a new installation and placed in service between the dates stated above, with certain size limitations applying. That will give you all summer to take advantage of all of the great benefits of a heat pump system, along with the double rebate offer. Don't let this great offer slip away!

We are here to help you with some of the questions that you may have. Sometimes shopping for something new can be a bit intimidating. The Member Services Department is here to help you with any questions. Please call us at 800.247.5051 or 320.269.2163 for more information.



Summer
DOUBLE REBATE
Days

Take advantage of *Summer Double Rebate Days* by installing a new air source heat pump or geothermal heat pump **between now and September 4th!**

WE NEED YOUR CURRENT PHONE NUMBERS!

Please cut this out and return with your next payment.

You will be entered into a drawing to win a \$10 credit off your next energy bill!

Name: _____ Member #: _____

Home Phone: _____ Cell Phone 1: _____

Cell Phone 2: _____ Addt'l #: _____

Email Address : _____

Office Hours

8:00 a.m. - 4:30 p.m.
Monday through Friday

24-Hour Telephone Answering

320.269.2163
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