

2024 RATE FORECAST: THE WHAT AND THE WHY BEHIND THE SHORT TERM AND LONG TERM ENERGY RATE FORECAST



Last month, I took a moment to reflect on our cooperative's achievements and express our gratitude to you, our valued members, as we approach the upcoming year.

You may have noticed that I hinted at changes in our operating revenue requirements and potential rate impacts. In the past, we've used the term "rate adjustment" to soften the news. This year, however, the budget presented to the Board of Directors shows the need for a higher rate increase than last year. While you can use whatever word you'd like, the bottom line is that electricity costs will increase for all of us in 2024, a trend that rate forecast indicate will continue in the future.

Most every article, headline, and legislative action, revolves around increasing the amount of electricity needed for the future. The push for electric vehicles and an all-electric lifestyle isn't new; it dates back to the 1930s Rural Electrification Act. In fact, Arrowhead Cooperative has promoted all-electric homes for over 30 years, emphasizing "beneficial electrification." The most recent emphasis on this concept confirms what we have been saying for decades.

As a significant amount of grant money transitions from the government to various programs, the demand for more electricity becomes apparent. An article I recently read noted that the earlier projection for electric growth was around 2.6% annually for the next five years. However, the latest forecasts indicate a more substantial increase, closer to 4.7% during the same period, driven by factors such as data centers, industrial growth, and grid strategies. The Federal Energy Regulatory Commission (FERC) has received reports underscoring these findings.

Understanding how this impacts you involves taking a look at the intricacies of the national electric grid. Apart from Texas, the grid is a vast and interconnected system involving a series of

wires, poles, and numerous stakeholders. Independent Service Operators across the country adhere to FERC regulations to ensure nationwide reliability. The complexity of the system requires the coordinated efforts of a large dedicated workforce.

As the demand for electricity rises the need for additional electric generating resources increases, resulting in a corresponding need to expand the infrastructure that carries it across the country. Our wholesale power provider, Great River Energy (GRE), must anticipate the growing demand for electricity and make upgrades to their transmission lines including the construction of new lines to efficiently channel electricity to its intended destinations. Similarly, our cooperative must do the same thing with our infrastructure to accommodate that growth as well. These investments, while crucial for ensuring reliability, inevitably influence the rates you pay.

The situation is evolving, and as electricity users, we can expect increased prices for the foreseeable future.

In the upcoming year, short-term influences on electricity pricing include wholesale power costs, materials, supply chain delays, labor, and inflation.

On the wholesale power costs side of things, GRE has worked hard to maintain stable electricity pricing. Last year we experienced a slight increase of 2.5%, and this year we will see another.

Material prices, such as high-voltage underground electric cable and transformers have seen substantial hikes, some exceeding 80% and 65%, respectively. In 2019, our electric cable cost \$3.19 per foot. The locked-in price for 2024 is \$5.85/ft, and preliminary

Continued on page 4.



PUT YOUR CHRISTMAS PRESENTS TO USE

We know smart home devices were all the rage this holiday season, so if your living space is now equipped with the latest in-home automation, ensure you make the most of it by enhancing your home network.

Arrowhead Broadband is your gateway to a seamless and reliable internet experience. With plans starting at 250Mbps, Arrowhead Broadband ensures you have the bandwidth to smoothly manage your smart devices, stream 4K content, monitor your home security cameras, and control your entire connected ecosystem.

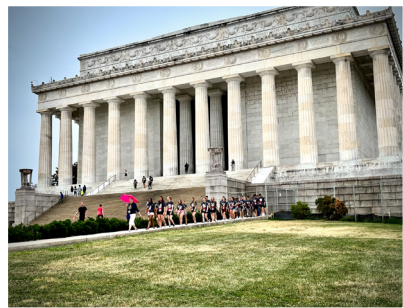
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WIN AN ALL-EXPENSES PAID TRIP TO WASHINGTON D.C.

RURAL ELECTRIC YOUTH TOUR

JUNE 18-23, 2024



This year Arrowhead Cooperative will once again sponsor two local high school juniors to attend the Rural Electric Youth Tour. Learn more about the trip and how to apply on our website at www.arrowheadcoop.com/youth-tour/. The deadline to apply is February 14, 2024.



MIDWEST ELECTRIC SYSTEM READY FOR WINTER WEATHER



The region has sufficient resources for expected conditions and contingency plans for emergencies.

The Midcontinent Independent System Operator (MISO) recently released its annual winter outlook in which it outlines expectations for the winter season. MISO is expecting a mild winter for most of its territory. January is forecasted to have the highest winter peak demand in the range of 102 to 107 gigawatts (GW), with generation supply availability expected to be 122 GW.

“Great River Energy team members are ready to meet our responsibilities to our member owners and MISO by generating and delivering energy regardless of weather conditions,” said Great River Energy Vice President and Chief Power Supply Officer Jon Brekke. “Great River Energy is continuing to invest in its generation and transmission assets to support grid reliability for the future.”

Among other projects, Great River Energy and Minnesota Power are jointly developing the Northland Reliability Project, a 180-mile, 345-kilovolt electric transmission line from northern Minnesota to central Minnesota to ensure continued reliability into the future as the region transitions to greater levels of renewable energy.

MISO stresses the importance of reliability in all seasons, particularly when entering winter and summer when demand for electricity peaks. Great River Energy’s winter reliability plans received an important boost from a recent decision by the Minnesota Public Utilities Commission (PUC).

The PUC unanimously approved the addition of dual fuel capability at Great River Energy’s Cambridge Peaking Station, which will enable the plant to operate on fuel oil when its primary fuel — natural gas — is either unavailable or prohibitively expensive.

Natural gas peaking plants are an important part of overall reliability of the electric grid by providing generation at times of greatest system need. The addition of dual fuel capability will further enhance overall system reliability and help keep businesses operating and homes safe and warm.

“Electric cooperatives serving Minnesota must be prepared for extreme winter conditions that are normal for our region,” said Great River Energy President and Chief Executive Officer David Saggau. “Dual fuel capability in Cambridge is a small but absolutely critical enhancement to meet the needs and expectations of our member-owners on the coldest nights of the year.”

Dual fuel capability at Cambridge Peaking Station is expected to be operational in time for the winter of 2025-26.

CO-OP NEWS

COLD WEATHER RULE REMINDER

Do you need help paying your electric bill this winter? The Minnesota Cold Weather Rule helps homeowners and renters protect and reconnect heat during the winter months. If you are worried about paying your electric bill on time, contact Arrowhead Cooperative at (800) 864-3744 before the due date of your bill. By completing an “inability to pay” form and making/maintaining a payment arrangement we can help you avoid disconnection.

If you need additional help you can also call the following numbers:

- Energy Assistance Hotline
(800) 657-3710
- Arrowhead Economic Opportunity Agency
(800) 662-5711
- Grand Portage Energy Assistance
(218) 475-2822
- Salvation Army Heatshare
(800) 842-7279

NEXT BOARD MEETING

Thursday, January 25, 2024, at 9:00 a.m.



Tune In. Stay Informed.



CEO John Twiest airs live Friday, January 26 on the North Shore Morning show (90.7FM) at 8:40 a.m. with the latest Arrowhead Cooperative news.



figures for 2025 indicate further price increases and extended lead times. Similarly, the average transformer cost rose from \$1,411.65 to \$2,346.60 during the same period. These examples highlight the challenges our cooperative faces with rising material prices

Lead times for transformers, electric cable, and other materials are lengthy, prompting us to already start planning for 2025 with hopes that lead times will improve. However, given the growing demand for electricity in the future, the outlook does not show signs of improving.

Unfortunately, these trends are industry-wide, affecting every aspect of our operations. The Arrowhead Cooperative Board of Directors and management team are diligently working to navigate these complexities, scrutinizing the budget to identify potential cost-saving measures and operational efficiencies. While the coming year promises to be busy, with a lot on our agenda, our team is dedicated to providing the best reliability at the least possible cost to you, our members.

In summary, Arrowhead Cooperative is anticipating changes to its rate structure in response to these challenges and we want to keep you informed about the factors influencing your bill. Information about the upcoming adjustment will be provided in February.

We understand the importance of transparency and value your continued support as we collectively navigate these challenges.

John Twiest



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ENERGY WISE MN



JANUARY CALENDAR WINNER

Submitted by: Bob Berlute



ENERGY EFFICIENCY

During winter months, ensure your home is well sealed and properly insulated to reduce the need for excessive heating. Seal air leaks around your home and add insulation where needed to save up to 10% on annual energy bills. Install weather stripping on exterior doors and apply caulk around windows. Check attic insulation levels and hire a qualified contractor if additional insulation is needed.

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