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ELECTRIC COOPERATIVE LIVING

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WINTER RELIABILITY FORECAST SHOWS ADEQUATE RESOURCES

BY TIM MARIENAU



In November, the North American Electric Reliability Corporation (NERC) released a report outlining its 2024/2025 Winter

Reliability Assessment. In the report, Southwest Power Pool (SPP), our regional grid operator, is noted to have sufficient electric generation capacity to meet expected demand under normal winter operating conditions.

Electric utilities nationwide are members of one of nine regional transmission organizations (RTOs) and independent system operators (ISOs), also called power pools. These entities are federally regulated by the Federal Energy Regulatory Commission (FERC) and work on a regional scale to coordinate, control and monitor supply and demand on the electric grid. RTOs do not own the power grid, but they work as “air-traffic controllers” of the

grid to ensure reliable power supplies, adequate transmission infrastructure, and “day-ahead” electric market coordination of wholesale electricity prices on behalf of their members.

While SPP is not listing reliability as being at a high risk level for the winter season, our industry continues to navigate significant long-term challenges in maintaining a resilient and reliable electric grid.

“The immediate outlook is stable, but we’re seeing unprecedented changes in how electricity is both generated and consumed across our region,” says Tim Marienau, CEO at Prairie Energy Cooperative (PECO). “As our society becomes increasingly electrified and we see rapid growth in sectors like data centers, demand for electricity is growing at a historic pace.”

The changing energy landscape presents both opportunities and challenges. While the SPP region has

made substantial progress in bolstering its transmission infrastructure and adding renewable energy resources like wind and solar, the variable nature of these resources requires careful planning to maintain reliability. Additionally, SPP has approved an increase in its required Planning Reserve Margin.

What’s a planning reserve margin?

SPP, Corn Belt Power Cooperative (Corn Belt Power) and PECO must plan for times of extreme power use. We do that in the form of reserve margins. Reserves are resources that are held back, standing by to provide additional energy when needed. Reserve margins are the amount of unused available generating capability of an electric power system (during peak demand for a utility system) as a percentage of the total capability needed to meet peak demand. These margins are shrinking in SPP and across the country. Tighter reserve margins mean there’s less



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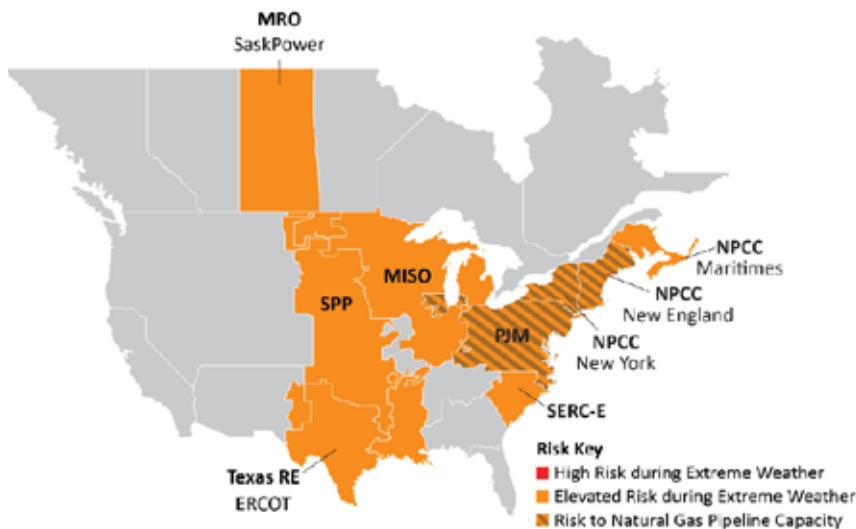


Figure 1: Winter Reliability Risk Area Summary

Seasonal Risk Assessment Summary	
High	Potential for insufficient operating reserves in normal peak conditions
Elevated	Potential for insufficient operating reserves in above-normal conditions
Normal	Sufficient operating reserves expected

Source: NERC (North American Electric Reliability Corporation)

room for error when we experience unexpected events or emergencies, increasing the risk of forced outages.

“We need a diverse mix of power resources to keep the lights on 24/7,” Marienau explains. “That includes having dispatchable generation like coal, natural gas and nuclear available when renewable resources aren’t producing at full capacity. However, many of our traditional generating facilities are being targeted by federal legislation aimed to curb emissions by implementing unproven or unavailable technologies, forcing them to retire before their end of life if they cannot comply with emissions standards.”

Proactive steps to ensure reliability

PECO is taking decisive action to maintain grid reliability for our members through several key initiatives:

- 1 Advocating for reliability and affordability:** Electric cooperatives across the country are owned by you, the members we serve. This means our cooperative works together with other electric cooperatives to educate lawmakers and advocate on behalf of our members to ensure that reliable power is also competitively priced.
- 2 Resource diversification:** Nationally, there is increasing reliance on renewable energy sources, and at the same time, we’re seeing fossil fuel plants taken offline, often ahead of schedule. Additionally, we’re seeing more pressure on the electric grid due to the ever-present severe weather events and historic rising demand, as we begin to electrify more sectors of our economy in the form of electric vehicles, data storage and cryptocurrency. PECO believes and advocates for an “all-of-the-above” energy approach. This approach promotes the idea that the U.S. relies on a reliable and sustainable fuel supply. There is great value in maintaining a diverse mix of fuel sources – fossil fuels and renewables – to ensure reliability and resiliency and meet the growing demand for electricity.

3 Grid infrastructure: As a member of CBP, we pool resources and expertise to invest in technology, security and infrastructure to deliver reliable and cost-effective power. Our operations are dedicated to strengthening our electric infrastructure through targeted upgrades and new construction projects, which will enhance regional connectivity and resilience.

4 Emergency preparedness: We work closely with SPP and neighboring utilities to protect our members from potential energy shortages and price spikes associated with having to purchase more power when demand is elevated. By having detailed response plans in place, we can take steps to reduce electricity demand during critical periods – helping avoid the need to purchase expensive power from the market when prices are at their highest. This coordinated approach helps keep your electricity both reliable and affordable.

5 Regional coordination: We actively participate in SPP’s reliability initiatives and maintain close coordination with neighboring utilities to support regional grid stability. By working to prepare for and respond to energy shortfalls, we can follow protocols to reduce electric demand and prevent us from having to purchase excess energy from the markets or avoid the need to interrupt power supply.

CBP works closely with SPP and other regional partners to address these long-term challenges while maintaining reliable and affordable electric service for our member-consumers. As we dedicate ourselves to powering your homes and communities throughout the winter season, know we are committed to doing everything we can to maintain your trust and find solutions to keep your power reliable and your rates stable.

Tim Marienau is the CEO of Prairie Energy Cooperative.

SEEKING CANDIDATES

Prairie Energy Cooperative (PECO) is a member-owned electric cooperative governed by a board of directors. As a member, one of your most important roles is to participate in the election of directors. You can become involved in your cooperative by serving on the board of directors.

Two positions on PECO’s seven-member board of directors will be open for election this June. The three-year terms of Allyn Waddingham, District 3, and Donald Christopherson, District 7, will expire. Both have indicated their willingness to serve another term.

If you are a member in either District 3 or District 7 and are interested in serving on the board of directors, contact the co-op office at 515-532-2805. Nominating committee member information will be published next month.



BASIN ELECTRIC TO RAISE RATES IN 2025

The Basin Electric Power Cooperative (Basin Electric) board of directors authorized a Class A rate increase of \$4 per megawatt-hour (MWh), or approximately 6.5%, beginning Jan. 1, 2025. Basin Electric's financial forecast indicated the need for an approximate \$5.20 per MWh rate increase; however, after feedback from members, the board elected to use a portion of the rate stability fund in order to gradually implement the rate increase. Basin Electric is regulated by the Federal Energy Regulatory Commission, which will also need to approve the rate change.

How is Basin Electric keeping rates affordable?

Diversifying resources: The cooperative's diverse generation fleet, alongside market purchases, is key to keeping rates affordable. Basin Electric has over 4,600 megawatts of

dispatchable resources (eg., coal and natural gas units) and approximately 2,100 megawatts of non-dispatchable resources (eg., wind and solar) in its portfolio. Basin Electric's fleet of dispatchable generation resources is vital when people need electricity most, showing its value by helping insulate our members from volatility when market prices spike.

Rate Stability Fund: Basin Electric maintains a Rate Stability Fund in which revenue is deferred and added to the fund when financial results are strong. The fund was created to act as a cushion for Basin Electric's membership to help avoid or slow rate increases. The proposed 2025 rate calculation includes a contribution of deferred revenue of approximately \$50 million resulting in an average member rate increase of \$4 per MWh.

Utilizing generation across the divide:

The geographical location of Basin Electric means our member load and generators exist on both the West and East Interconnection; our access to Direct Current (DC) ties enables us to move electricity across the divide as needed. DC ties help Basin Electric utilize energy and generation capacity from one interconnect and move it to the opposite to provide reliable and affordable power to our members.

Investing in our members:

Basin Electric has seen significant growth over the last two decades. In 2023, member sales exceeded 32 million MWh compared to 6.7 million MWh in 2000. To serve that growth, total consolidated assets have grown as well. This increase in assets reflects investment in current facilities and new facilities to maintain reliability, which is core to our mission to provide reliable and affordable power.



Load growth and investments in reliability

Investments in new generation and transmission facilities are needed to support member load growth, and it's critical to invest in existing facilities to maintain reliability. To accommodate these large loads, Basin Electric is investing approximately \$8 billion over the next 10 years in transmission and generation assets to ensure reliable electricity for our members.



Decreased surplus sales on the west side of the system

Market dynamics have been impacted by changes in the generating fleet, which has influenced prices and the ability to make surplus sales. Overall, this has lowered energy prices from previous years and has impacted the ability to sell Basin's excess west side generation.



Impacts of inflation

Cost increases for internal labor, contracted labor, materials and maintenance, in addition to higher costs of borrowing money and increased insurance premiums. From 2016 to 2023, Basin Electric's member rates increased by an average of 1.5% per year, while inflation rose at almost twice that rate, averaging 3.2% per year.



Volatility of power markets

Power markets have become more volatile, resulting in dramatic price movements. Increasing intermittent generation, swings in natural gas prices and increasing electricity demand are primary contributors to volatility. While this is managed through generation and hedging, the cost of this is increasing.

PECO MAINTAINING STABLE RATES

Prairie Energy Cooperative (PECO) is a distribution power cooperative. Our power is supplied by generation and transmission (G&T) cooperatives, including Corn Belt Power Cooperative in Humboldt, Iowa, and Basin Electric Power in Bismarck, North Dakota. Our energy rates are impacted by our G&T cooperatives, and these are factors of which we have limited or no control. We engage in discussions with our G&T cooperatives, but their decisions are based on information analyzed by their respective board of directors.

Member-owners expect lower electric rates in an environment where nearly all the costs associated with those rates are increasing. PECO shares this expectation, and we have not raised our energy rates since November 2016. We implemented a facility charge increase for all member-owners in February 2025 to support PECO's fixed costs, which include maintaining poles, wires, meters, insulators and other infrastructure.

Part of our commitment to our members is to ensure fiscal responsibility. This includes performing annual budgets, 10-year financial forecasts and conducting cost-of-service studies to evaluate our rate structures. As we continue to meet our financial obligations, we will not be passing on this rate increase from Basin Electric at this time.

ACCEPTING APPLICATIONS FOR HIGH SCHOOL LEADERSHIP TRIP TO D.C.

At Prairie Energy Cooperative (PECO), one way we invest in the next generation of rural Iowa leaders is by participating in the national electric cooperative Youth Tour program. We're looking for a high school sophomore or junior with a passion for government and public service to apply for a once-in-a-lifetime trip to our nation's capital in June.

One student will be selected from eligible candidates to attend the 2025 Youth Tour in Washington, D.C., from June 15-21 along with 40 other student leaders from Iowa. The Iowa

Youth Tour group will join with nearly 2,000 other students from across the country as they learn more about electric cooperatives and American history and come home with a greater understanding of their role as American citizens.

Students will also learn about U.S. government and meet with their members of Congress. On the trip, students take in the sights of D.C. as they visit monuments, museums and historical landmarks. Students who go on Youth Tour often call it the trip of a lifetime!

We are accepting Youth Tour applications now through March 21. High school students from any of the 11 counties PECO serves are eligible to apply; students must be a current sophomore or junior. The application

process consists of completing our application form, which includes an essay question.

Students can download our form at www.prairieenergy.coop/youth-tour or stop by our office for a printed copy. Contact Darren Johnson or Chad Chapman, PECO member services, at 515-532-2805 or mbrsrv@prairieenergy.coop for more information.

For more than 65 years, Iowa's locally owned electric cooperatives have been sending deserving students to D.C. This program is a great resume builder for student leaders and a wonderful opportunity to kick-start a passion for government affairs or advocacy.

Make sure to apply for 2025 Youth Tour by March 21!



Applications are due
Friday, March 21!



SCHOLARSHIP APPLICATIONS AVAILABLE

Dependents of Prairie Energy Cooperative members are eligible to apply for a \$1,000 scholarship. Contact Sarah Olson-McLaughlin at solson@prairieenergy.coop or visit www.prairieenergy.coop/scholarships to obtain an application.



Scholarship applications are due by Feb. 21.

SCHISEL JOINS THE CREW



Cole Schisel started at Prairie Energy Cooperative (PECO) on Nov. 11, 2024. Originally from Kanawha and a graduate of West Hancock High School, Schisel attended Northwest Iowa Community College where he earned his degree in the powerline program.

When asked why he wanted to join PECO, Schisel stated, "It's my local cooperative so I liked that I could stay around home. I know a lot of the guys that work here already, and I look forward to becoming an asset to Prairie Energy."

In his spare time Schisel enjoys hunting, fishing and farming. Welcome and congratulations, Cole!



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