



STEARNS ELECTRIC ASSOCIATION NEW OPERATIONS AND HEADQUARTERS FREQUENTLY ASKED QUESTIONS GUIDE

May 2024

1. WHAT EXACTLY IS THE OPERATIONS CENTER AND NEW HEADQUARTERS PROJECT?

Stearns Electric will be replacing its current 54-year-old operations center and headquarters in Melrose with a new facility. The new operations center will provide the space necessary to support the Cooperative's growing operations efficiently and effectively. The new facility will be located on the same property Stearns Electric already owns, directly to the west of the current building.

2. WHY DOES STEARNS ELECTRIC NEED A NEW HEADQUARTERS FACILITY?

Since moving to our current location, built in 1970, Stearns Electric has outgrown its headquarters in virtually every way. Outdated equipment and cramped facilities are impacting the efficiency and cost-effectiveness of service. In particular, the garage, shop and mechanic areas need more space and updated equipment to accommodate the size and demands of today's fleet vehicles and provide appropriate space for employees to work safely and efficiently.

Today, there is no aspect of operations, administration and member service that isn't impacted by the current building's inadequate size, age and antiquated design. The facility can no longer provide the needed space for large equipment, tools and supplies.

Stearns Electric has been deeply committed to serving our community for the last 87 years and looks forward to ensuring our members' power needs are met for the next 87 years. The new operations center represents an important investment in our long-term ability to continue high-quality service.

3. HOW WILL A NEW OPERATIONS CENTER ADDRESS THE CHALLENGES OF THE COOPERATIVE'S AGING FACILITY?

The new operations center and headquarters will serve as the foundation for the Cooperative's operations for the next 50 years and beyond. The facility will provide the design and space we need to support our operations, engineering, member service, finance, information technology and administrative teams.

Critical features include larger garages, an enhanced mechanic shop, meeting areas and storage spaces for important material and equipment like poles, wires, transformers and meters. Office departments and workspaces will be designed to make workflow more productive and efficient.

4. HOW MUCH WILL THE NEW HEADQUARTERS PROJECT COST?

The total cost is \$21.5 million.

5. WHAT IS THE TIME FRAME FOR COMPLETING THIS PROJECT?

We anticipate groundbreaking and excavation to begin on May 6, 2024 and the construction of the new headquarters to be completed in summer/fall 2025.

6. WHY BUILD NOW WHEN INTEREST RATES AND COSTS ARE SO HIGH?

Interest rates are only one of many expenses that impact the overall cost of the operations center and headquarters. Independent experts project the cost of the facility will only increase the longer we wait. By financing the project now, we lock in our building costs before they increase further, while having a strategic finance plan for interest rates long term.

7. HOW WILL STEARNS ELECTRIC PAY FOR THE NEW BUILDING?

Stearns Electric plans to finance the project over a 30-year term. The majority of the cost to finance the project was factored into the 2023 rate adjustment for members, which was implemented in May 2023.

8. WHAT IS THE VALUE OF THE INVESTMENT FOR MEMBERS?

We are working to make smart, sensible investments to modernize equipment and infrastructure to ensure we provide safe and reliable energy at a competitive price for years to come. The new operations center and headquarters facility will help Stearns Electric meet the current needs of members and provide room for the Cooperative to grow over the next several decades.

9. WILL LOCAL CONTRACTORS BE USED FOR THE PROJECT?

Yes, from a construction cost standpoint approximately 90% of contractors on this project are local, which we have defined as located between St. Cloud and Alexandria. As a rural distribution cooperative, we do not serve many of the local towns near our headquarters, such as Melrose, Sauk Centre, Freeport, Albany, Avon, etc. as they are served by local city municipals or investor-owned utilities like Xcel Energy. Through the bidding process we received a limited number of bids from Stearns Electric members for this project simply because of our service territory boundaries. However, the local contractors who will be working on this project do employ many employees who receive electricity from the Cooperative.

10. WILL CONSTRUCTION OF THE BUILDING TEMPORARILY DISRUPT OPERATIONS?

No, building the new facility will have no impact on our core business model of providing electricity to our member-consumers throughout Central Minnesota. We will always have a line crew on call to respond to outages as safely and efficiently as possible.

11. IN WHAT WAYS HAVE STEARNS ELECTRIC EMPLOYEES HELPED SHAPE THE PROJECT?

Our employees have played a key role in developing the new headquarters and operations center. We extensively surveyed our employees for ways to be efficient with space and help them be more effective at their jobs. Their guidance and support directly informed the design of several aspects of the new building and gives us even more confidence that this investment will help us better serve our members.

As you might imagine, there were many great ideas brought forward for consideration to incorporate into the new facility. We are excited to implement ideas that align with our business and our budget.

12. DID STEARNS ELECTRIC CONSIDER RENOVATING THE CURRENT FACILITY INSTEAD OF BUILDING A NEW ONE?

After careful consideration of costs, location and the needs of employees, the Stearns Electric Board decided that new construction was the best option to support our mission of providing safe and reliable electricity to our members. The new headquarters will be on the same property as our current building in Melrose to maximize value and limit disruptions to our operations.

13. WHAT WILL HAPPEN TO THE STEARNS ELECTRIC BRANCH IN ST. JOSEPH?

The Stearns Electric branch office in St. Joseph will be unaffected by this project. The St. Joseph Branch, where one-third of Cooperative employees start their workday, will maintain its critical role in our ability to support our more than 28,000 member-consumers effectively.

14. WHY NOT CONSOLIDATE ALL OPERATIONS INTO ONE FACILITY?

Stearns Electric has had two office facilities since 1989 - in Melrose and St. Joseph. The Melrose office is the geographic center of our service territory, which serves parts of six different counties, while the St. Joseph office is closer to growing areas near St. Cloud and Sartell.

15. DID STEARNS ELECTRIC CONSIDER BUILDING JUST A FLEET FACILITY?

As the Cooperative explored various options, it was determined a new headquarters and operations center would produce the best long-term value.

Using two facilities to support operations positions the Cooperative for improved outage response times and strategic disaster recovery plans, among other benefits.

16. WILL STEARNS ELECTRIC CONSIDER INVESTING IN THE ST. JOSEPH OFFICE?

There are no plans to make a major capital investment in the St. Joseph office, which was built less than 15 years ago. The Cooperative will continue to properly maintain the facility and make improvements that support our employees and operations, when appropriate.

17. WHAT WILL HAPPEN TO THE CURRENT HEADQUARTERS WHEN THE NEW FACILITY IS COMPLETED?

The Stearns Electric Board of Directors, along with Cooperative leadership, are exploring options to either sell or lease the existing facility. Member value will always be the driving force behind such decisions.

18. WHEN WAS THE LAST TIME STEARNS ELECTRIC MADE SIGNIFICANT INVESTMENTS IN ITS BUILDING AND DISTRIBUTION SYSTEM?

The Cooperative has consistently invested and maintained its facilities and distribution system over the years. Stearns Electric's Branch office opened in 1989 in St. Cloud and the current St. Joseph office was built in 2011. The headquarters office in Melrose received modest updates in 2017, 2019 and 2020 which delayed our building needs, but now we have simply outgrown our facility in all aspects. Our construction work plan invests on average \$9 million each year into our distribution system and we are planning to invest \$11 million each year for the next five years. With building a new operations center and headquarters facility, the Cooperative will continue to invest in its distribution system and ongoing operation needs of its branch office. We have planned for this large capital investment and remain focused on being reliable and controlling costs for our members.

19. WHERE CAN I FIND MORE INFORMATION OR ASK OTHER QUESTIONS?

Our website includes a dedicated webpage about the project. We will continue to update that webpage and provide more information about the project in the monthly Power Connection newsletter.

If you have questions or wish to speak directly to a Cooperative representative, call our offices during regular business hours at (800) 962-0655.



TO LEARN MORE:

Please contact our office during regular business hours.

(800) 962-0655 | [STEARNELECTRIC.ORG/MELROSE-FACILITY](https://stearnelectric.org/melrose-facility)