



JULY 2020

2019 annual report

New date: annual meeting
July 21

McLean Electric Cooperative, Inc.

RESCHEDULED
McLean Electric Cooperative
75th annual meeting

NEW DATE
July 21, 2020
7 p.m. Garrison Auditorium

Official notice of 75th annual meeting

The annual meeting of the members of McLean Electric Cooperative Inc. will be held at the Garrison city auditorium located at 15 Main St. S., Garrison, N.D., at 7 p.m. on Tuesday, July 21, 2020, to take action upon the following matters:

1. Election of two directors for the cooperative
2. All other business which may come before the meeting, or any adjournments thereof

Pursuant to the bylaws, the following members have filed petitions for directorship of the cooperative:

District 2

Clarence Behles, incumbent
Garrison

District 7

Larry Gessele, incumbent
Mercer

June 22, 2020

Rodney Stockdill, secretary

PROGRAM

- 6: m. Registration
- 7 p.m. Call to order
Determination of quorum
Reading of notice and previous minutes
Manager's report
Financial report
Election of directors
Unfinished business
New business
Adjournment

DUE TO THE COVID-19 PANDEMIC, THE ANNUAL MEETING WILL BE ABBREVIATED.

There will be no food, no door prizes, no guest speakers. Limited seating will be available. We will only be allowed to let a limited number of members into the Garrison city auditorium. When that number is reached, the remainder will need to vote from outside. There are no contested board elections.

PLEASE BRING A MASK.



LARRY GESSELE

MESSAGE FROM BOARD CHAIRMAN

BY LARRY GESSELE

This summer, McLean Electric Cooperative will reach a notable milestone. Seventy-five years ago, this co-op was formed and things were never quite the same since. The people who were instrumental in getting this co-op started were part of the “Greatest Generation.” They certainly knew about hardship and uncertainty, coming out of the Great Depression and World War II. It’s ironic that the generation before them faced a pandemic similar to the one the current generation is facing.

To be sure, we are facing uncertain times, but if you have ever questioned where the strength of this country comes from, listen to the “Ode to the Common Man” by Aaron Copland. He managed to transform that strength to music. The common man and woman have been the backbone of this country through every crisis it has had and they will be again. I see that strength in all the McLean Electric employees and I see it in the McLean Electric members all across our service area.

As flexibility is a key to long-term

survival and success in any business, the pandemic situation has McLean Electric redoubling its focus on maintaining safe, reliable power to its members through this turbulent time. At the same time, as our current manager is retiring later this year, the board is focusing our efforts on a manager search for his replacement.

The board and I would like to thank all of the current and former employees and board members who helped build this co-op. Their vision and dedication is sincerely appreciated.

Also, we would like to thank Marty Dahl for his many years of service to this co-op. He will leave McLean Electric in very good shape. We wish all the best to Marty and Alisa as they enter their retirement.

In closing, as we are in the midst of change, and we will have to adjust to the “new normal” (whatever that will be!) One thing is certain: We will emerge from this experience changed, for sure, but stronger and wiser.

The board and I thank you all for your support.

BOARD OF DIRECTORS



Larry Gessele



Darcy Klain



Rod Stockdill



James Odermann



Clarence Behles



Troy Presser



Karen Hanson



**Dave Lindell
attorney**



MARTIN DAHL

MANAGER'S REPORT

BY MARTIN DAHL, GENERAL MANAGER

I want to take a little time to address our members as we dodge the landmines of 2020. COVID-19 has been more than a distraction so far this year. The restrictions resulting from COVID-19 have forced McLean Electric Cooperative to dial back our annual meeting to a small group that will basically just take care of business. We had hoped to have a celebration for 75 years in business. This celebration will be scheduled for 2021. We are hopeful that we will be beyond the COVID-19 crisis by then.

I do want to thank our members for their patience, as we closed our lobby and shop areas to all non-McLean Electric personnel. It would be difficult to keep the lights on if our staff and crews were forced to quarantine. We have since opened the lobby, but we are not allowing people into the staff and crew areas to keep our people safe and healthy.

2019 was a very good year for McLean Electric. We received \$212,000 in capital credit distributions from our generation and transmission cooperatives. That amount, added to our margins, will trigger a capital credit retirement this year of nearly \$1 million.

We are financially strong, we have reliable equipment and we are poised for continued reliability improvements. Our gross revenues were over \$15 million in 2019. Our growth areas in 2019 were primarily in the White Shield area and from grain drying, some irrigation, a few cabins and some oil.

I am also pleased to say that we are halfway through our fourth year without a rate increase. The rates are stable at

this time. Our financial ratios exceed all covenant requirements of our lenders. We were also able to secure our construction financing at a 1.147 percent interest rate. This all indicates that you own a very healthy electric cooperative.

I have had several questions regarding the potential closure of Coal Creek Station. Although this closure will be devastating to McLean County and the state, it will only have minimal impact on McLean Electric. At this time, Blue Flint is looking at repowering to natural gas for steam and will continue to operate as long as it is profitable. Its CEO was very positive on how it plans to move forward. We will lose the pump loads that pump cooling water for the plant, but the growth at White Shield will offset that loss in revenue. In addition, the pumps could be marketable for water supply or irrigation.

This is my last annual meeting as the general manager. I am retiring at the end of August. In the nearly 12 years as the general manager of McLean Electric, I have gotten to know several people throughout the service area, the state and the country who have been great allies, mentors and friends. I want to thank all of you for your support and friendship. I also want to thank the entire membership as well as the board for providing the opportunity to serve McLean Electric in this capacity. I also want to thank my very capable staff for their hard work and dedication to the cooperative. It has been my pleasure to be part of the team.

God bless and happy trails.

MEET THE CANDIDATES

Larry Gessele

District 7:

Larry Gessele is a farmer from the southeastern part of McLean County. He currently represents District 7 on the McLean Electric Cooperative (MEC) board of directors as the president. He would like to contribute in the process of selecting a new general manager at McLean Electric.



Larry Gessele

Larry has been farming all his life. He has a bachelor of science degree in ag economics and animal science from North Dakota State University. He has served on the Turtle Lake-Mercer school board for eight years; the Farm Credit Services, Mandan, board for 15 years, with three terms as chairperson; and nine years on the equity elevator board of Turtle Lake as secretary-treasurer. He also served on the board of Our Savior's Lutheran Church, Mercer, as treasurer and chairman.

Larry has served on the Mercer volunteer fire department for 48 years and has been a 4-H leader.

Larry and his wife, Kathy, have been married 40 years. They have three children and seven grandchildren. He enjoys spending time with his family and traveling. He also enjoys golf and studying history, especially the World War II era.

Clarence Behles

District 2:

Clarence Behles is a farmer/rancher north of Garrison. He currently represents District 2 on the McLean Electric Cooperative (MEC) board of directors. He presently holds the office of assistant secretary-treasurer. He would like to continue to be a voice for District 2.



Clarence Behles

Clarence has been a farmer/rancher since 1982. He has served as a director for CHS Garrison elevator for six years. He is also currently a director for the Garrison Rural Fire District.

Clarence and his wife, Darci, have been married for 28 years. They have two children, Justin and Julie.

Clarence has served on the Garrison volunteer fire department since 1999. Besides spending time with family and friends, he also enjoys NASCAR racing, golfing in scrambles, watching movies and taking care of his animals.

A look back as McLean Electric looks ahead to its 75th anniversary

Bringing electricity to McLean County meant equipment that might be considered a staple in rural America today. **Otto Hauf**, right, **Harry Olson**, middle, and **Ken Hopkins**, McLean Electric Cooperative member services advisor, left, watch as an electric motor pumps water from a tank. Hauf, rural Max, served five terms on McLean Electric's board of directors.



BALANCE SHEET as of December 31, 2019

ASSETS

ELECTRIC PLANT

In Service	42,422,443	(As Restated) 40,079,582
Electric Plant Under Construction	<u>2,225,464</u>	<u>2,656,921</u>
Total Electric Plant	44,647,907	42,736,503
Less Accumulated Depreciation	<u>11,344,160</u>	<u>10,659,939</u>
Net Electric Plant	33,303,747	32,076,564

OTHER | ASSETS AND INVESTMENTS

Investments in Associated Companies	7,505,592	7,159,945
Other Investments	<u>517,515</u>	<u>409,468</u>
Total Other Assets and Investments	8,023,107	7,569,413

CURRENT ASSETS

Cash	2,402,397	1,669,719
Accounts Receivable - Electric Bills	2,055,531	2,083,273
Current Portion Other Investments - Loans Rec.	97,567	81,753
Materials & Supplies	1,382,199	815,986
Other Current and Accrued Assets	<u>10,996</u>	<u>10,211</u>
Total Current Assets	5,948,690	4,660,942

DEFERRED DEBITS

Total Deferred Debits	<u>824,773</u>	<u>942,706</u>
	824,773	942,706

TOTAL ASSETS

48,100,317 **45,249,625**

LIABILITIES

EQUITIES

Patronage Capital - Members	14,985,850	(As Restated) 14,510,081
Other Margins & Equities	<u>987,568</u>	<u>957,719</u>
Total Equities	15,973,418	15,467,800

LONG-TERM DEBT (RUS, FFB, COBANK)

Total Long-Term Debt	29,916,014	27,709,894
Less Current Maturities	<u>1,315,046</u>	<u>1,063,110</u>
Total Long-Term Debt (Net)	28,600,968	26,646,784

OTHER NON-CURRENT LIABILITIES

Capital Leases - Noncurrent	65,453	147,237
Accumulated Provision for Pension & Benefits	<u>447,367</u>	<u>338,052</u>
Total Non-Current Liabilities	512,820	485,289

CURRENT LIABILITIES

Current Maturities - Long-Term Debt	1,315,046	1,063,110
Current Maturities - Capital Leases	81,784	66,413
Line of Credit	-	-
Accounts Payable - Power Supplier	893,236	782,910
Accounts Payable - General	61,546	128,983
Member Deposits	34,334	38,771
Other Current and Accrued Liabilities	<u>567,882</u>	<u>540,557</u>
Total Current Liabilities	<u>2,953,828</u>	<u>2,620,744</u>

DEFERRED CREDITS

Advanced Payment for Electricity - Members	59,283	29,008
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TOTAL EQUITIES AND LIABILITIES

48,100,317 **45,249,625**

OPERATING REVENUES

Sales of Electricity

OPERATING EXPENSES

Cost of Power
 Operations & Maintenance
 Member Accounts
 Member Service
 Administrative and General
 Depreciation
 Taxes
 Other
 Sales Expense
 Total Operating Expenses

OPERATING MARGINS

FIXED CHARGES

Interest on Long-Term Debt
 Interest on Capital Lease Oblig
 Total Fixed Charges

**MARGIN AFTER FIXED CHGES
 G&T AND OTHER CAP CREDIT
 NET OPERATING MARGINS**

NON-OPERATING MARGINS

Merchandising
 Other Income
 Interest Income
 Gain (Loss) on Disposal prop

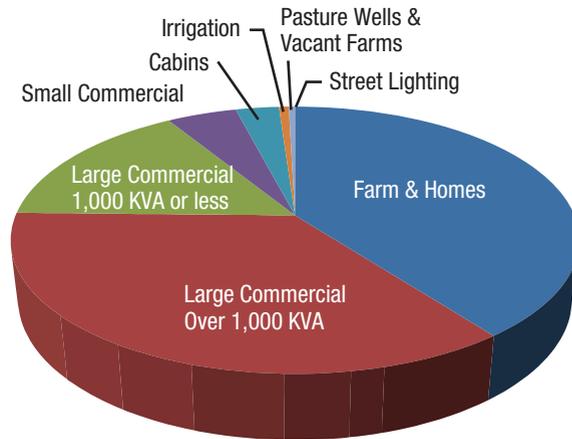
Total non-operating margins

NET MARGIN

	2019	2018 (As Restated)
Sales of Electricity	15,105,144	14,802,880
Cost of Power	8,783,309	8,759,498
Operations & Maintenance	1,927,212	1,653,883
Member Accounts	388,559	359,395
Member Service	118,582	95,596
Administrative and General	1,155,754	1,035,180
Depreciation	1,181,730	1,090,011
Taxes	101,202	102,169
Other	16,781	13,782
Sales Expense	<u>85,933</u>	<u>84,269</u>
Total Operating Expenses	13,759,062	13,193,783
OPERATING MARGINS	1,346,082	1,609,097
Interest on Long-Term Debt	972,673	881,902
Interest on Capital Lease Oblig	8,066	9,692
Total Fixed Charges	980,739	891,594
MARGIN AFTER FIXED CHGES	365,343	717,503
G&T AND OTHER CAP CREDIT	565,299	1,461,336
NET OPERATING MARGINS	930,642	2,178,839
Merchandising	(30,203)	42,602
Other Income	-	6,563
Interest Income	41,441	9,753
Gain (Loss) on Disposal prop	17,568	12,688
Total non-operating margins	<u>28,806</u>	<u>71,606</u>
NET MARGIN	959,448	2,250,445

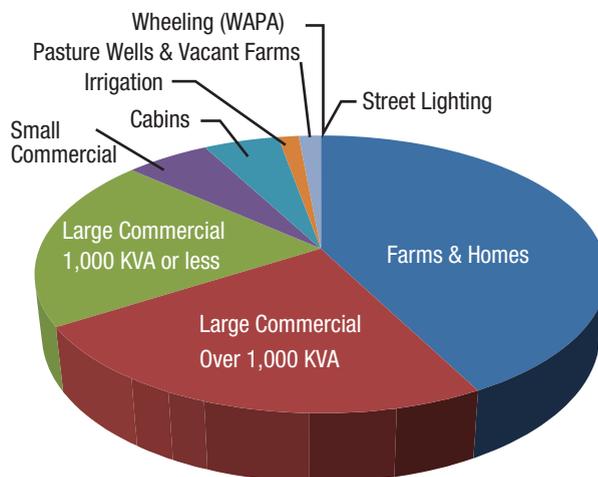
KWH Usage

Farms & Homes	49,068,958
Large Commercial - Over 1,000 KVA	51,411,849
Large Commercial - 1,000 KVA or less	19,832,348
Small Commercial (Single Phase)	6,376,804
Cabins (Seasonal)	5,820,518
Irrigation (Three Phase)	1,540,022
Pasture Wells & Vacant Farms	457,781
Street Lighting	30,479
TOTAL	134,538,759



Revenue

Farms & Homes	\$5,941,396.18
Large Commercial - Over 1,000 KVA	\$3,808,873.44
Large Commercial - 1,000 KVA or less	\$2,925,717.38
Small Commercial (Single Phase)	\$832,351.59
Cabins (Seasonal)	\$1,014,382.17
Irrigation (Three Phase)	\$300,759.60
Pasture Wells & Vacant Farms	\$178,948.39
Wheeling (WAPA)	\$66,436.69
Street Lighting	\$7,514.21
Solar	\$564.00
TOTAL	\$15,076,943.65



MCLEAN ELECTRIC COOPERATIVE, INC.

ANNUAL MEETING

June 18, 2019

The 74th Annual Meeting of the members of McLean Electric Cooperative, Inc., was held at the Garrison City Auditorium in Garrison, North Dakota, on the 18th day of June, 2019. The meeting was called by order by President Larry Gessele at 6:30 o'clock p.m.

Dinner was prepared by Kyle's Katering of Garrison, North Dakota, and served by the Garrison High School FFA Chapter.

Secretary Rod Stockdill informed President Gessele that a quorum was present and President Gessele informed the attendees that the Cooperative was open for business.

President Gessele introduced Pastor Annie Langseth of St. Paul's Lutheran Church of Garrison, North Dakota, who gave the opening invocation.

President Gessele recognized present and past military service personnel and led the attendees in the Pledge of Allegiance followed by the presentation of the National Anthem.

President Gessele introduced dignitaries and guests who were in attendance and recognized that the North Dakota Congressional Delegation wrote letters of appreciation to the Cooperative.

The keynote speaker, Dan Inmann, Vice-President and Chief Information Security Officer for Minnkota Power Cooperative, was introduced and he presented information and an update about Minnkota Power and gave an overview of the MPC System and facilities and service territory of the Cooperative. He discussed the 2019 Polar Vortex event and how Minnkota Power met its patrons needs during the event. He also discussed the balance between Minnkota Power's base load vs. renewables and

discussed Minnkota Power's Project Tundra for CO2 capture and reuse.

After the keynote speaker, President Gessele reported that the notice of the 74th Annual Meeting and minutes of the 73rd Annual Meeting were ready to be read for approval. It was moved that a reading of the notice and minutes be waived and they be approved as presented. The motion was seconded and carried.

President Gessele introduced the Cooperative's Board of Directors and the Cooperative's employees to the attendees, and provided his report:

- He mentioned that the Cooperative has held its rates for the past year and that 67% of MEC's power is purchased from Basin Electric and it appears that Basin's rate will remain steady throughout 2019.
- He reported about the 2018 storm to western McLean County and the Cooperative's response and mentioned that the Cooperative's Board of Directors stress safety.
- He announced that 2020 will mark the 75th Annual Meeting and asked that the attendees provide the Cooperative of stories that would be available to be read during the 75th Annual Meeting.

President Gessele introduced the Member Advisory Committee Members and thanked them for their input to the Cooperative.

President Gessele introduced General Manager/CEO Martin D. Dahl to provide his report.

Manager Dahl discussed the following:

- 2018 was a great year for the Cooperative with margins

being very high.

- The board is budgeting for 2019 a margin of .5% in 2020.
- The Cooperative is halfway through their third year of no rate increases with no rate increases foreseen in the short term.
- He discussed demand billing and how it can affect a patron's monthly bill.
- He discussed the following Legislative issues: Grants not becoming income; promoting the proposed infrastructure package; retaining the power marketing agencies such as WAPA; pension funding; waiting for the replacement of the Clean Power Plan and the rewrite of the Waters of the United States; and laws restricting railroad crossing costs.
- Reported that Central Power Electric Cooperative should complete the Max to Benedict and Washburn to Blue Flint lines in 2019.
- He provided a battery storage back-up project update.
- He recognized all of the Cooperative's employees and thanked them for their hard work and dedication to the Cooperative.

Manager Dahl then provided the Financial Report for the Cooperative and he introduced the Cooperative's Financial Director, Wendy Kinn to the attendees.

For 2018, total revenue received was \$14,897,719.00 with a total KWH sold in 2018 of 132,838,215 with a net margin of \$2,445,160.00. The Cooperative has total assets of \$45,444,340.00. He reported that the financial ratios are higher

than required by the Cooperative's lenders with TIER of 3.54, DSC of 2.17 and an equity to assets ratio of 34.17.

Manager Dahl introduced Troy Presser, MEC Director, as well as the Cooperative's Director to Central Power and the Central Power Director to Basin Electric, who provided a Generation and Transmission Report. During his report, Manager Presser mentioned that Central Power is working with Minnkota to shed Ottertail Power lines with the Max to Benedict line as an example that directly affects McLean Electric. He also reported that the Washburn to Blue Flint line should be finished in August 2019. He reported that Basin's DGC Fertilizer Project has been a success and it continues to do so.

Operation Round Up Committee President, Jude Iverson, was introduced to give a Operation Round Up Report to the attendees. She introduced the Operation Round Up board members and reported that \$16,200.00 was awarded in 2018 to the Turtle Lake Chamber of Commerce Bike Fest, Underwood Cupboard, Turtle Lake Summer Recreation Program, Guardian and Protective Services, McLean Family Resource Center, Great Plains Food Bank, Turtle Lake Tiny Turtle's Daycare, and North Dakota

Association for the disabled.

President Gessele announced that the Board of Directors have proposed a bylaw amendment. The proposed amendment is to Article 3, Section 8 - Nomination and Election of Directors. The amendment would change the language for Director petitions and potential floor nominations to allow members who have a meter but do not reside in the District to sign petitions or make nominations for a director of the district where the meter is located. The election for the bylaw was by secret ballot and the bylaw Amendment passed with 146 aye to 5 votes no.

President Gessele announced the terms of directors for District 1, District 3, and District 5 were up for election. He announced that the following candidates presented petitions for nomination.

District 1 - James Odermann; District 3 - incumbent Rod Stockdill and Jason Ziemann; District 5 - Troy Presser. Each of the candidates provided a short address to the attendees. Directors Odermann, Presser and Stockdill were re-elected as directors.

Manager Dahl announced the following employee service awards:

Daryl Engel - 45 years
 Tonya Graeber - 20 years
 Marcia Zimmerman - 15 years
 Martin Dahl - 10 years

Brian O'Shea - 10 years
 Wendy Kinn - 5 years
 Julie Streich - 5 years
 Keith Thelen - 5 years
 Kelly Schmaltz - 5 years
 President Gessele and

Manager Dahl presented the following scholarships:

1. McLean Electric/Basin Electric Scholarship of \$500.00 each to Ally Behles, daughter of Cory and Cindy Behles of Garrison, North Dakota and Joshua Thompson, son of Jeremy and Karen Thompson of Max, North Dakota.

2. McLean Electric Scholarship of \$500.00 to Hannah Retterath, daughter of Justin and Rachel Retterath of Washburn, North Dakota.

3. The 2019 Youth Tour Essay Contest Winner is Skyla Folden, daughter of Nicole and Carey Gieser of Garrison, North Dakota.

President Gessele asked for any old business. There was none.

President Gessele announced that the 74th Annual Meeting grand prize of \$1,000.00 would be given to a meeting attendee who was present. The 2019 winner was Wendy Kinn. Other door prizes were presented as well.

President Gessele thanked the attendees for attending the 74th Annual Meeting. The meeting upon a motion made, seconded and carried, was adjourned. ■

BOARD OF DIRECTORS:

Larry Gessele, president
 701-447-2461
 District 7, Mercer

Darcy Klain, vice president
 701-448-2408
 District 4, Ruso

Rod Stockdill, secretary-treasurer
 701-337-5462
 District 3, Garrison

Clarence Behles, asst. secretary-treasurer
 701-337-5362
 District 2, Garrison

Troy Presser, director
 701-447-2855
 District 5, Turtle Lake

Karen Hanson, director
 701-448-2636
 District 6, Washburn

James Odermann, director
 701-743-4415
 District 1, Parshall

STAFF:

Martin Dahl, General Manager
Keith Thelen, Operations Manager
Lucas Schaaf, Engineering Manager
Wendy Kinn, Finance Manager

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