

Lake Region Electric Cooperative 2020 Annual Meeting

Thursday, June 4th, 2020



2020 Annual Meeting Agenda

- ◆ Welcome
- ◆ Invocation
- ◆ Call to Order
- ◆ Establish Quorum
- ◆ Appoint Recording Secretary
- ◆ Approve Minutes
- ◆ Election Process
- ◆ Board Chair Report, Charles Kvare
- ◆ CEO Report, Tim Thompson
- ◆ Guest Speaker: Great River Energy
- ◆ Election Results
- ◆ Questions/Adjourn/Draw Prizes*

*Prizes include two air fryers, two Stihl leaf blowers, and two iPads.

Minutes of the Annual Meeting of Members of Lake Region Electric Cooperative • June 6th, 2019

WELCOME AND INVOCATION

The Annual Meeting of Members of Lake Region Electric Cooperative was convened at Life Church, Fergus Falls, Minnesota at 6:00 p.m. on June 6th, 2019. Chairman Charles Kvare welcomed those in attendance and those who joined the meeting via our live streaming. The audience stood for the National Anthem and Pastor Nicholas Preston, Fergus Falls, provided the Invocation.

CALL TO ORDER

Chairman Kvare called the meeting to order at 6:00 p.m.

APPOINTMENTS, QUORUM, AND DOCUMENTS

Secretary Valley certified that the official Notice of the Annual Meeting and the Proof of Mailing to the members of the Cooperative was mailed the week of May 6th, 2019 in the cooperative's newsletter. She noted there are 23,199 cooperative members as of today and 27,924 meters connected as of the date of this meeting.

Secretary Valley announced that the cooperative's bylaws state that members present constitute a quorum. There are 424 members present.

Therefore on motion made and seconded:

"It was declared a quorum was present and to make the Official Register a part of the records of the Meeting."

MOTION CARRIED

The Chairman appointed Cynthia Brosowske, Executive Assistant, to serve as the recording secretary and asked that a motion be made to adopt the agenda. On motion made and seconded:

"To adopt the agenda members received as they registered as the official order of the day."

MOTION CARRIED

MINUTES

The Secretary noted that the Minutes of the 2018 Annual Meeting are printed on the handout received at registration.

On motion made and seconded:

"To approve the 2018 Annual Meeting Minutes as presented."

MOTION CARRIED

ATTORNEY CHAD FELSTUL

Attorney Chad Felstul addressed the membership on the suggested bylaw changes outlined in the April and May newsletter and on the ballot that was sent out to the membership. He asked if there were any questions regarding the recommended changes to the bylaws, none were given.

ELECTION OF DIRECTORS

The board appointed Kent Mattson chairman of the election and credentials committee to oversee the work of the election and credentials committee along with Attorney Chad Felstul. Mattson described the procedure for the election of directors. Thereafter, Mattson presented the candidate elected by acclamation as an unopposed candidate and no voting was required:

DISTRICT 6

- ▶ Joyce Valley

Mattson placed in nomination the contested election in:

DISTRICT 3

- ▶ Steve Andrie
- ▶ Mike Brasel
- ▶ Pam Moe
- ▶ Eugene Zepper

DISTRICT 9

- ▶ Robert Shaw (*incumbent*)
- ▶ Charles Grunewald

BOARD CHAIR REPORT

In LREC Board Chair Charles Kvare's address, he spoke about how electric cooperatives were founded on the idea that neighbors could work together to make a positive difference in the lives of others. Kvare's message to the membership in attendance stated: "Our pledge to you is simple. It is to stay accessible to members, keep rates affordable, improve system reliability, and employ technology to create new opportunities to better serve you."

Retiring District 3 Director, Ken Hendrickx, was presented a plaque by Board Chair Kvare in honor of his 15 years of service to the cooperative, which included turns as LREC Board Chair and as LREC's representative on the Great River Energy board.

CEO'S REPORT

CEO Tim Thompson reported to the membership the outstanding year the cooperative had in 2018 which included; record margins, 6 straight years of at least \$1 million in capital credit retirements, the success of the cost control and rate stability plan, potential profitability in just year two for the natural gas subsidiary, savings from the renewable energy project and the improved reliability that will result from investments made by GRE to upgrade local transmission lines and substations.

ELECTION RESULTS

The Chair invited Kent Mattson back up to announce the results of the election.

The results in District 3:

- Steve Andrie with 105 votes.
- Mike Brasel with 112 votes.
- Pam Moe with 72 votes.
- Eugene Zepper with 94 votes.

The results in District 9:

- Robert Shaw with 214 votes.
- Charlie Grunewald with 117 votes.

Bylaw amendment results:

- Yes: 1,663 votes
- No: 141 votes

He stated that the elections and credentials committee certifies that this is a true and accurate statement of the election results.

QUESTIONS

The Chair stated that the meeting was open for questions.

ADJOURN

On motion made and seconded:

"To adjourn the 2019 Annual Meeting of Members of Lake Region Electric Cooperative at 7:10 p.m."

MOTION CARRIED



Join Us for Our First Virtual Annual Meeting

For the safety of our members and employees due to COVID-19, the format of the LREC Annual Meeting has changed to be an online-only virtual meeting. There will be no in-person meeting held this year. Visit www.lrec.coop/annualmeeting for more information.

WHEN: Thursday, June 4th, at 6 p.m.

WHERE: www.lrec.coop/annualmeeting

BILL CREDIT: \$10 bill credit for attending meeting.

FIRST EVER VIRTUAL ANNUAL MEETING!

Summary of Consolidated Financial Statements

STATEMENT OF OPERATIONS

December 31st, 2019 and 2018

Operating Revenues

	Dec. 31, 2019	Dec. 31, 2018
Sale of Electric Energy	\$52,149,877	\$50,806,963
Other Operating Revenues	1,532,580	1,082,414
Total Operating Revenues	53,682,457	51,889,377

Operating Expenses

Cost of Power	32,157,739	31,629,202
Distribution Expense - Operations	2,954,718	2,966,571
Distribution Expense - Maintenance	2,603,204	2,389,437
Consumer Account Expense	1,248,865	1,235,776
Customer Service and Information Expense	973,853	988,254
Administrative and General Expense	2,946,389	3,026,587
Depreciation	4,307,599	4,200,250
Interest on Long-Term Debt	2,696,940	2,842,488
Taxes	389,375	367,231
Total Operating Expenses	50,278,682	49,645,796

Operating Margins After Fixed Charges	3,403,775	2,243,581
Generation, Transmission, and Other Capital Credits	1,081,694	1,068,609
Net Operating Margins	4,485,469	3,312,190

Interest Income	830,907	1,013,542
Other Non-Operating Income	342,153	254,228
Total Non-Operating Margins	1,173,060	1,267,770

Net Margins	\$5,658,529	\$4,579,960
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BALANCE SHEET

December 31st, 2019 and 2018

Assets

	Dec. 31, 2019	Dec. 31, 2018
Utility Plant		
Electric Plant in Service	\$137,362,455	\$133,644,958
Natural Gas Plant in Service	3,365,568	2,764,239
Construction Work in Progress	2,102,594	556,467
Total Utility Plant	142,830,617	136,965,664
Less Accumulated Provision for Depreciation	50,520,221	48,036,359
Net Utility Plant	92,310,396	88,929,305

Other Assets and Investments

Investments in Associated Organizations	25,380,703	24,878,573
Other Investments	614,309	428,044
Notes Receivable, Net	60,000	100,000
Total Other Assets and Investments	26,055,012	25,406,617

Current Assets

Cash and Cash Equivalents	6,275,931	3,798,956
Accounts Receivable, Net	6,137,952	5,619,717
Materials and Supplies Inventory - Electric	1,343,035	1,477,565
Materials and Supplies Inventory - Natural Gas	187,934	128,029
Prepaid Expenses	219,967	207,436
Accrued Assets	-	71,437
Current Portion of Other Investments	40,000	40,000
Total Current Assets	14,204,819	11,343,140

Deferred Debits

	1,658,729	1,902,281
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Total Assets	\$134,228,956	\$127,581,343
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Equities and Liabilities

	Dec. 31 st , 2019	Dec. 31 st , 2018
Equities		
Patronage Capital	\$38,246,493	\$34,586,031
Other Equities	19,999,227	19,761,819
Total Equities	58,245,720	54,347,850

Long-Term Debt ¹

	62,253,268	60,033,096
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Current Liabilities

Current Maturities of Long-Term Debt	2,569,881	3,065,672
Accounts Payable - General	412,777	350,406
Accounts Payable - Billed Power Costs	5,938,231	4,973,844
Other Current and Accrued Liabilities	1,538,311	1,471,490
Total Current Liabilities	10,459,200	9,861,412

Deferred Credits

	3,270,768	3,338,985
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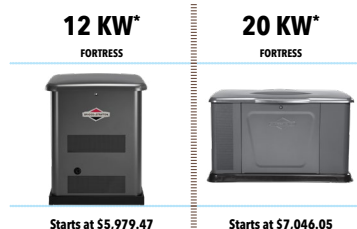
Total Equities and Liabilities	\$134,228,956	\$127,581,343
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¹2019 Total Long-Term Debt of \$68,912,931 less cushion of credit of \$6,683,407; plus Capital Lease of \$35,315

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