

# MEASURING UP TO OUR MEMBER'S EXPECTATIONS

**2018**  
ANNUAL REPORT



**McLEOD COOPERATIVE POWER ASSOCIATION**  
**Annual Meeting – April 9, 2019**

# YOUR BOARD OF DIRECTORS



*District 1  
Oria Brinkmeier  
Director*



*District 2  
Joe Griebie  
Vice-President*



*District 3  
David Resch  
Director*



*District 4  
Doug Kirtz  
Secretary-Treasurer*



*District 5  
Allan Duesterhoef  
Director*



*District 6  
Gary Burdorf  
Director*



*District 7  
Randy Hlavka  
GRE Representative*



*District 8  
Keith Peterson  
President*



*District 9  
Gerald Roepke  
Asst. Secretary-  
Treasurer*

**-Vision-**

**Exceed members expectations for reliable energy and services.**

**-Mission-**

**To enhance the quality of Life for our members through effective, safe, and innovative solutions.**

**-Strategic Themes-**

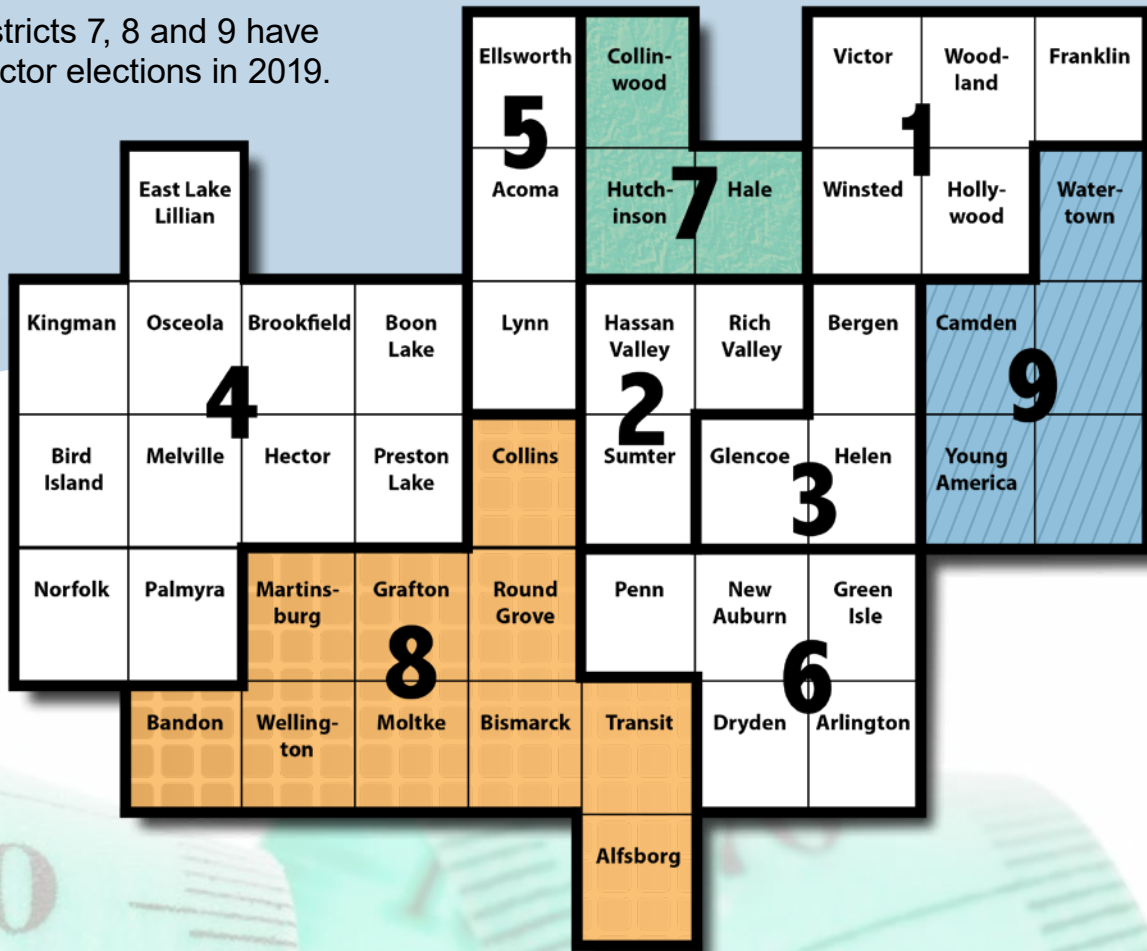
**Enhance our Safety Culture  
Focus on Growth Opportunities  
Focus on Continuous Improvement**

**-Values-**

**Member Quality of Life-Member Trust-Reliability/Business Ethics-Safe Work & Safety Education-Industry Leadership & Expertise-Transparent Communication-Diversified Services-**

# McLEOD COOPERATIVE POWER ASSOCIATION DIRECTOR DISTRICTS

Districts 7, 8 and 9 have director elections in 2019.



## MILESTONES

**GERALD "JERRY" ROEPKE** of New Germany has served MCPA as a director for 27 years, from March of 1992 to April of 2019. This year Jerry chose not to run for re-election. The Cooperative wishes to recognize Jerry for his many years of diligent and dedicated service.

Jerry served as the Co-op's board president from 2009-2013 and as the assistant secretary-treasurer from 2000-2009 and 2013-2019.



# PRESIDENT AND GENERAL MANAGER MESSAGE

## *Measuring Up to Our Member's Expectations!*

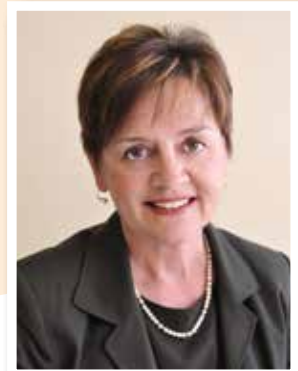
Measuring Up...Those words can make us stand a little taller, smile with satisfaction at the thought of a job well done; and when we add, "to Our Member's Expectations" it propels us to do better, even if what we've done is excellent.

- "Measuring up to" means we reach, we stretch, we strive, and we accomplish. It's an active choice. It requires us to always look ahead and define a clear vision for the future of McLeod Cooperative Power Association.
- "Our member's expectations" are high, which means we can't and won't accept complacency. We are continually working to be better tomorrow than we are today. High expectations require us to continually analyze options and pursue the most promising opportunities. The underlying belief is that the actions we take will lead to attaining our strategic goals.
- When we align our visions, expectations and actions, we have success. This requires working together as member-owners, your board of directors, and employees.

In our quest to "measure up" McLeod Co-op Power had many positive results throughout 2018, many of which are highlighted in this annual report.



*Keith Peterson  
Board President*



*Carrie L. Buckley  
General Manager*

**New location to solve garage issues and unite Co-op facilities onto one site –** that was the title of our lead story in the August 2018 issue of our newsletter. From well before I started in December 2014, our Board of Directors had been wrestling with the challenge of fitting our 21<sup>st</sup> century bucket trucks into our 1950's sized garage. In July, your Board of Directors, after three years of examination, made a well-reasoned decision to move forward with a new and combined facility. A decision that if delayed to a future year, would ultimately be more expensive.

The facility project is moving along well, starting with the purchase of about seven acres in the East Industrial Park in Glencoe and about three adjoining acres of agricultural land. Through Brunton Architects

we have a design for about 12,000 square feet of office space, about 24,000 square feet of garage space, and about 16,000 square feet of additional storage space for trailers and other equipment. Preliminary site testing and evaluations are complete with good results and we expect to have a late spring construction start. Ideally all construction will go well, and we will be moving in to our new facility by about July 2020.

This was a very difficult decision for your Board of Directors, but the leadership they showed in tackling the tough decision was impressive.



**MCPA is selling the former Agri-Fleet building** – that was the other lead story in the August 2018 newsletter. Once it was clear the Agri-Fleet building was not the right fit for our combined-facility needs, we put out the word it was for sale. Along came Jonathan Lueck, owner of Lazy Loon Brewing Co., who found it to be just the right fit for his brewery and taproom.



**MCPA recognized as 50-year Minnesota FFA donor** – our May newsletter featured the honor of receiving a plaque for 50 consecutive years of support for the FFA youth program. We are with storied company along with long term supporters Land O’ Lakes Foundation and CHS Foundation. This honor highlights the long-term commitment of MCPA to the rural community we serve.



**Minnesota Rural Electric Association awards safety certificate to MCPA**

– Our April newsletter featured this safety excellence achievement. Every three years the Co-op voluntarily asks for a safety review by a group of experts. Safety experts from MREA and our neighboring co-ops show up unannounced and inspect our facilities and work practices to insure we

are performing safely even when no one is looking.

This recognition of our exceptional loss control practice is but one way we strive to achieve our McLeod Co-op Power goal of zero accidents. Working with electricity is serious business, and there are no second chances when coming into contact with electricity. We are relentless in conducting training and simulation sessions for our work force to make sure they have the knowledge and tools to work safely. All of this so our employees return home safely at the end of each work day.



As dedicated directors and employees we have set our goal to “Measure Up to Our Member’s Expectations”. We appreciate that, you as our member-owners, keep those expectations high, so that we are propelled to always do better.

Respectfully submitted,

Keith Peterson, Board President

Carrie Buckley, General Manager



# 2018 YEAR IN REVIEW

## Member Services tried hard to measure up to your expectations!

Electrical safety and energy education are an important part of the culture at McLeod Co-op Power. Not just for employees and adult members, but for the next generation too. In 2018, the Co-op continued presenting safety programs in area schools and we were fortunate to have the Bakken Museum present their “War of the Currents” program to students from Sibley-East and Immanuel Lutheran in Gaylord.



The Co-op’s youth outreach also included a Minnesota Twins Youth Baseball Clinic in Arlington on July 14. Over 60 youth participated and had a fun, learning opportunity. The program is a joint effort between the Twins Community Fund, Great River Energy, the Arlington Baseball Association, McLeod Co-op Power, and Locher Bros. Distributing.



In 2018, the Co-op’s volunteer Operation Round Up® board was able to distribute \$18,000 to 13 community organizations in our service area for projects that benefit local people of all ages. Funds were donated by members who rounded up their electric bill to the nearest whole dollar each month, donations from employees and Great River Energy, unclaimed capital credit fund donation, and a CoBank matching grant. Many local people received help through these funds.

Helping kids and strengthening our local communities is one way the Co-op tries to meet our member’s expectations. In 2018, we were able to help do both with a loan from the Co-op’s economic development revolving fund to the Buffalo Lake EDA for GAP financing assistance to build the Little Stangs Learning Center. This center helps meet a daycare provider shortage in the area and bring a viable business to downtown Buffalo Lake.

For the first time, McLeod Co-op Power selected a Touchstone Energy Community Award winner. The Bear Lake Sunshine Society, a 108-year old organization that meets monthly to send greeting cards, fruit baskets or flowers to those who need some cheer, was awarded \$500 and a plaque. The group also shares any remaining funds at the end of the year with charities in the local area that help others in need.



All year long the Co-op offered other programs to help members improve safety, peace of mind, or save money. The employees installed standby generators for members who purchased them in 2018 to keep their home working even when the power goes out. We assisted older citizens by leasing emergency medical pendants. The Co-op’s Heartland Security subsidiary installed a record number of home and business security systems. Energy Management Specialists from the Co-op assisted members with high use concerns, energy efficiency rebates, and money-saving off-peak programs for heating, cooling and water heating.

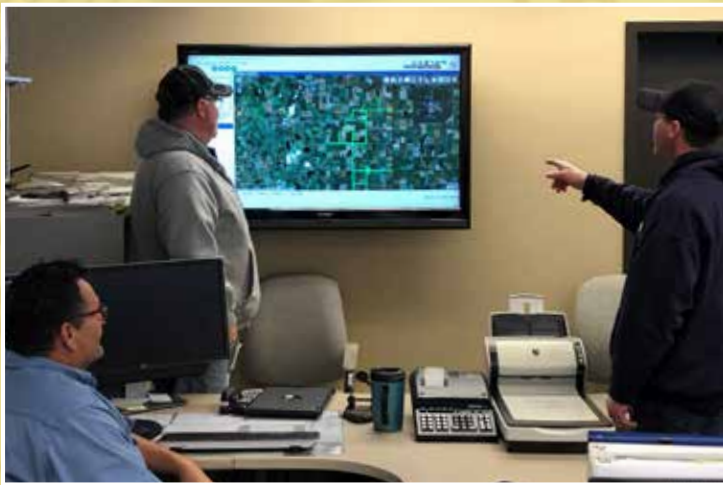
## Advancements in Information Technology

Significant time was invested in 2018 improving our Outage Management System for our line crews and

engineering department. We have installed an app onto our line crew's co-op owned cell phone that allows them to receive outage information when in the field or after-hours. They can see outage ticket information, view a live outage map, and are able to enter comments about what caused the outage.

A big step in exceeding our member's expectations came this year with faster response to outages thanks to AMI meters reporting when they go out. The co-op's Outage Management Software is now programmed to accept notifications from our AMI meters when they lose power and when restorations have been completed. This has allowed for faster notifications of outages, better large-scale outage prediction, and improved verification that power has been restored. It is important to note that even though our meters report outages to the office, we ask that members call in to report outages as well, as a meter just tells us that power is out and a member can give us more details such as seeing a tree on the line, hearing a loud bang, knowing where there are broken poles, etc. that helps assess the cause of or location of the outage.

We also have been working on our electronic mapping system to change our software to predict outages to a specific overhead device or meter so that we can find and restore power quicker. This change also allows us to graphically display outages on our electronic map as well, so that we can quickly see where outages are in the system. We have also combined our vehicle location system with this map, which allows us to see where our crews are working.



## Engineering and Operations Report

MCPA crews along with an underground contractor completed three capital work projects in 2018. Those projects consisted of converting 21.9 miles of three-phase overhead to underground and retiring those overhead lines and poles. At the Winthrop Substation, the circuit feeding east in Penn Township and Sumter Township was converted from overhead to underground totaling 10.8 miles. On the western side

of Hassan Valley and northwestern Sumter Township 7.1 miles of under build was converted to underground along Highway 15 south of the Bell Substation. An additional 3 miles of overhead was converted to underground in Palmyra and Martinsburg Township's due to a road project.

MCPA line crews installed a total of 119 feet of overhead lines and removed 127,336 feet of overhead lines. MCPA line crews, along with an underground contractor, installed 205,699 feet of underground conductors and removed 1,919 feet of aged underground.



MCPA line crew personnel installed 86 new services, as well as rebuilding and upgrading 81 existing services. There were 18 retirements completed on MCPA lines and 14 work orders completed at the city of Arlington. Crews completed 128 pole changes throughout MCPA's territory.

Star Energy Services performed pole inspection on Helen Substation. They inspected 2,940 poles and found 192 that needed replacement.

MCPA line crews continue to replace older yard lights with LED lights and have been busy changing out older transformers and continue doing maintenance on MCPA lines.

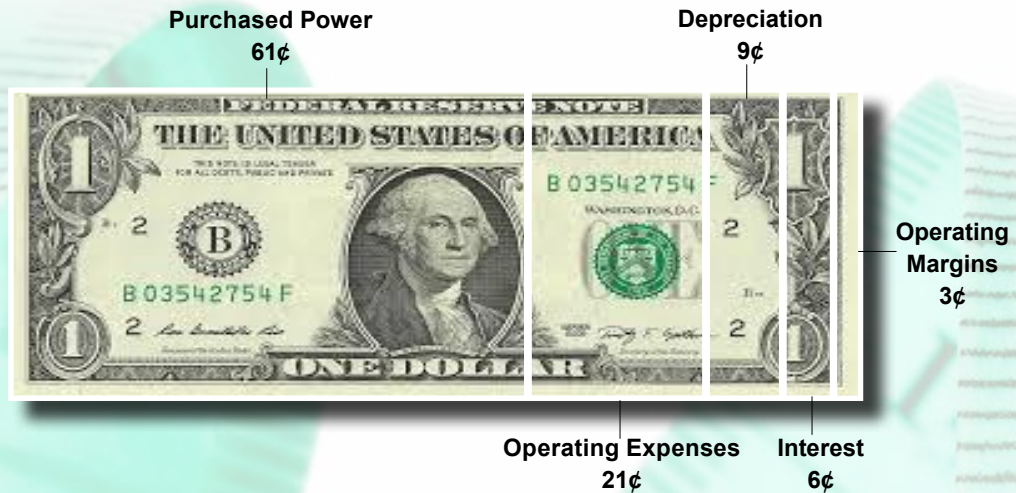
Burnham Companies continue to work at trimming trees around power lines to meet MCPA specifications and R.O.W. Applicators follow up with right-of-way spraying.

Engineering staff continues to work on our strategic goal for outage management and mapping. We are switching over to electronic mapping and outages are updated with the AMI metering. The goal is to be paperless and send electronic service orders out to crews and have crews be able to view outages on electronic devices.

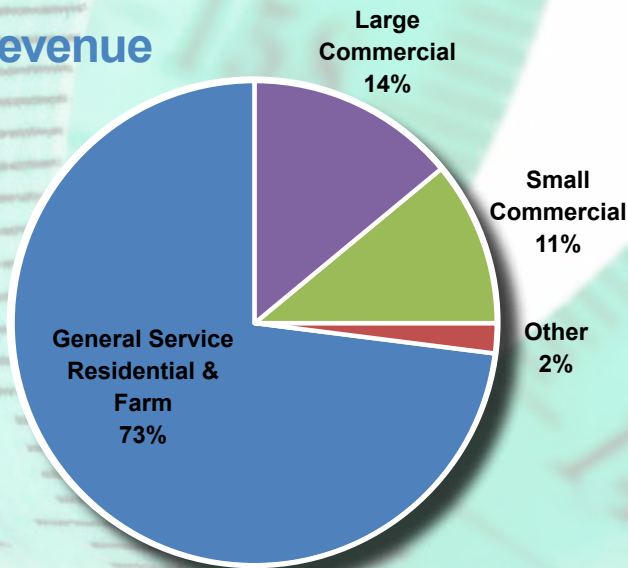
# STATEMENT OF OPERATIONS

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Sale of electric energy to members	\$ 19,967,645	\$ 19,779,661
Miscellaneous electric revenues	229,117	220,949
<b>TOTAL REVENUES</b>	<b><u>\$ 20,196,761</u></b>	<b><u>\$ 20,000,610</u></b>
<b>EXPENSES</b>		
Wholesale power paid to Great River Energy	\$ 12,302,380	\$ 12,472,385
Operating Expenses (distribution, administrative, and customer service)	4,147,072	4,184,841
Depreciation of utility plant	1,785,950	1,790,101
Interest on loans	1,240,284	1,190,761
<b>TOTAL EXPENSES</b>	<b><u>\$ 19,475,685</u></b>	<b><u>\$ 19,638,088</u></b>
<b>NET OPERATING MARGIN</b>	<b><u>\$ 721,077</u></b>	<b><u>\$ 362,522</u></b>
Non-operating and other income (interest income, MSM, generators, etc.)	527,676	543,282
Non-operating expenses	233,502	264,705
Patronage capital from Great River Energy and other associated cooperatives	432,072	605,554
<b>TOTAL MARGINS (Income)</b>	<b><u>\$ 1,447,322</u></b>	<b><u>\$ 1,246,653</u></b>

## How Your Energy Dollar Was Spent



## Sources of Revenue



The accounts and records of McLeod Cooperative Power Association were audited by Eide Bailly LLP, Fargo, North Dakota, as of December 31, 2018. The completed audit report will be presented to the Cooperative's Board of Directors and will be available for members to review at the Cooperative office.

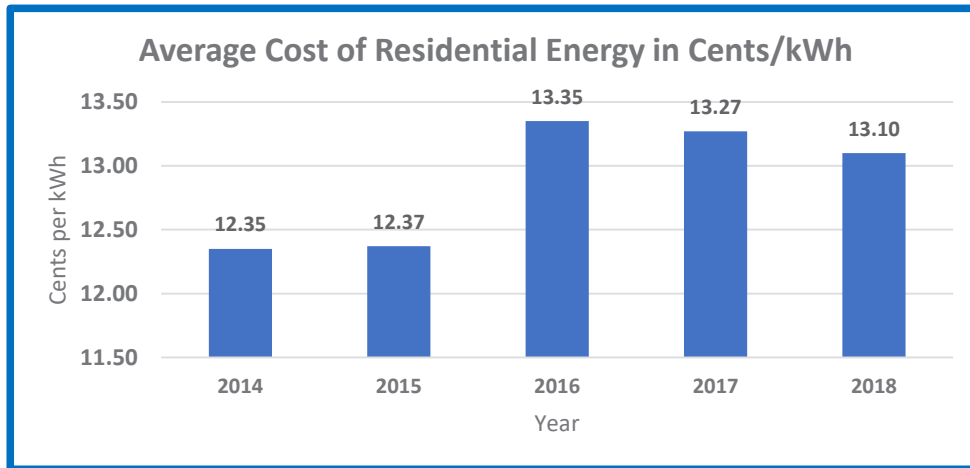


# BALANCE SHEET

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
<b>ASSETS (Things we own)</b>		
Cost of System	\$ 51,606,656	\$ 49,176,976
Cost of our Office, Warehouse and Equipment	5,333,682	5,545,110
Construction work in Progress	692,486	1,715,157
We estimate our system has depreciated	(15,231,909)	(14,484,420)
<b>This gives our system a book value of</b>	<u>\$ 42,400,916</u>	<u>\$ 41,952,823</u>
<b>We have other Property and Investments:</b>		
Great River Energy Capital Credits	\$ 9,772,211	\$ 9,425,346
Capital Credits from Other Cooperatives	1,593,111	1,578,292
Investments with National Rural Utilities Cooperative Finance Corporation	8,510,723	6,263,239
Investments with Associated Organizations and Other	283,393	486,785
Loans to Organizations for Economic Development of our communities	305,470	212,677
<b>Total Other Property and Investments</b>	<u>\$ 20,464,908</u>	<u>\$ 17,966,339</u>
<b>We have these Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,559,779	\$ 668,988
Great River Energy Temporary Investment Account	2,930,364	2,632,322
Members and others owe us for electricity	2,053,026	2,373,483
Members and others owe us for non-electricity (generators, rebates, materials)	94,439	115,176
Materials and Supplies for line construction and maintenance	844,263	822,776
Interest receivable on investments	61,887	55,547
Prepayments	12,995	10,175
<b>Total Current Assets</b>	<u>\$ 7,556,754</u>	<u>\$ 6,678,467</u>
<b>We have deferred debits</b>	715,624	868,984
<b>TOTAL ASSETS WE OWN</b>	<u><b>\$ 71,138,201</b></u>	<u><b>\$ 67,466,613</b></u>
<b>LIABILITIES (what we owe)</b>		
<b>Long-term debt</b>		
We owe Rural Utilities Service (RUS)	\$ 5,736,693	\$ 5,907,827
We owe Federal Financing Bank (FFB)	\$ 28,042,459	\$ 25,517,739
We have a grant with RUS to be used for Economic Development	\$ 300,000	\$ 300,000
We have a cushion of credit with RUS and FFB	\$ (910,408)	\$ (2,664,506)
We owe National Rural Utilities Cooperative Finance Corporation	\$ 3,930,220	\$ 4,172,563
We owe CoBank	\$ 501,989	\$ 750,343
We owe others	\$ 491,725	\$ 629,695
<b>Total long-term debt and other non-current liabilities</b>	<u>\$ 38,092,678</u>	<u>\$ 34,613,661</u>
We currently owe for power, materials, services, taxes, etc.	\$ 3,122,497	\$ 4,246,910
We have deferred credits (revenue, construction, community solar, etc.)	\$ 937,353	\$ 527,695
<b>TOTAL LIABILITIES WE OWE</b>	<u><b>\$ 42,152,529</b></u>	<u><b>\$ 39,388,266</b></u>
<b>NET WORTH (members equity in the cooperative)</b>		
Your accumulated patronage capital	\$ 16,729,025	\$ 16,005,573
Other equities (diversified services and others)	\$ 12,256,647	\$ 12,072,774
<b>MEMBERS EQUITY IN THE COOPERATIVE</b>	<u><b>\$ 28,985,672</b></u>	<u><b>\$ 28,078,347</b></u>
<b>TOTAL COMMITMENTS</b>	<u><b>\$ 71,138,201</b></u>	<u><b>\$ 67,466,613</b></u>

# COMPARATIVE OPERATING STATISTICS

	2014	2015	2016	2017	2018
<b>ELECTRIC SERVICE</b>					
Number of members	5,730	5,742	5,758	5,788	5,822
Miles of distribution line	1,891	1,890	1,892	1,896	1,911
Average number of accounts receiving service	6,593	6,617	6,714	6,750	6,818
Density of consumers per mile	3.49	3.50	3.55	3.56	3.57
Kilowatt-hours sold	185,256,195	184,679,900	179,619,374	161,025,997	167,197,672
Average KWH sold to residential consumer per month	1,554	1,434	1,433	1,424	1,484
Average bill per residential consumer per month	\$191.95	\$177.33	\$191.26	\$188.93	\$194.38
Average cost of residential kwh	\$0.1235	\$0.1237	\$0.1335	\$0.1327	\$0.1310



## McLEOD COOPERATIVE POWER ASSOCIATION EMPLOYEES

EMPLOYEES	POSITION
Carrie Buckley .....	General Manager
Debbie Ebert .....	Operations Specialist/Safety Coordinator
Deb Goettl .....	Billing Clerk
Curt Hanson .....	Staking Technician
Brad Hundt .....	Lineman
Katie Ide .....	Executive Administrative Assistant
Shannon Jerabek .....	Energy Mgmt. Specialist
Nathan Kelzer .....	Lineman
Jared Klein .....	Lineman
Justin Kohls .....	Energy Mgmt. Specialist
Kevin LaCourse .....	Lineman
Craig Marti .....	Foreman
Teri Martin .....	Accountant

EMPLOYEES	POSITION
Grant Miller .....	Foreman
Gregg Nistler .....	Asst. Engineering Manager
Susan Noyes .....	Manager of Finance
Sue Pawelk .....	Customer Service Manager
Patty Robb .....	Billing Coordinator
Dan Schade .....	Line Superintendent / Engineering Mgr
Becky Schiroo .....	Customer Service Representative
Ryan Schuette .....	Lineman
Eric Sell .....	Information Services Manager
Robert Senst .....	W.H./Materials Technician
Robert Thomes .....	Asst. Customer Service Manager
Nicholas Tritz .....	Lineman
Terry Underdahl .....	Foreman

# McLEOD COOPERATIVE POWER ASSOCIATION

## MINUTES OF THE 83<sup>rd</sup> ANNUAL MEETING

### APRIL 10, 2018

#### HUTCHINSON EVENT CENTER – Hutchinson, MN

The Meeting was called to order by President Keith Peterson at 10:00 A.M.

Director Griebie gave the invocation.

The National Anthem was performed by Josie Sanken.

A "Welcome" to Members & Guests was given by General Manager, Carrie L. Buckley.

A quorum was established and verified by President Keith Peterson and Secretary/Treasurer Doug Kirtz.

Secretary-Treasurer Doug Kirtz read the "Notice of the Cooperative's Annual Meeting" and declared that the Notice had been properly published in an official newspaper in McLeod County.

President Peterson called for reading of the 2017 Annual Meeting minutes.

A motion was made, seconded and carried to dispense with the reading of the minutes.

A motion was made and seconded to approve the Minutes of the 2017 Annual Meeting as printed in the Annual Report. Motion carried.

President Peterson announced the Director Candidates in the following districts.

District 4: Doug Kirtz and Gary Trohkimoinen; District 5: Allan Duesterhoeft and Keith Heinrich; District 6: Gary Burdorf and Darrel Mosel.

President Peterson introduced the Directors in Districts 1-3 and 7-9.

Manager of Finance, Susan Noyes, presented the 2017 Financial Report.

President Peterson declared the balloting closed and instructed the tellers to count the ballots for director election.

A video was shown that was prepared by McKaia Ryberg, the Washington D.C. Youth representative who was unable to attend meeting.

General Manager Carrie L. Buckley spoke of the history of the cooperative. In 1935 a group of visionaries formed McLeod Co-op Power asking neighbors to pay a \$2 membership. In May 1937 the first line was energized. The goal today is to serve the long-term best interest of the members and focus on reliability, safety and cost containment.

Co-op's across the nation are seeing a downward trend in residential sales in the last ten years caused by energy efficiency, slow rural growth, and weather. McLeod Co-op Power serves 3.5 accounts per mile.

Buckley compared the co-op's low-density with other Minnesota electric cooperatives, investor owned utilities and municipal utilities who have a much higher number of consumers per mile. To recover the cost of infrastructure necessary to deliver the power our 3.5 members per mile have a larger burden to share than the investor owned utilities. Despite cost-cutting measures such as, reducing full-time employees by five, reducing program expenses, extending years between replacement of vehicles, and changing the healthcare offerings to employees a rate increase was necessary. In February an increase to the System Delivery Charge was implemented. Increasing the monthly access charge is the fairest way to recover the necessary costs to bring electricity to homes, maintain the system in a safe and reliable manner and invest in new infrastructure and technology.

A primary goal of the co-op is service reliability. An aggressive tree clearing program in 2017, which will continue in 2018, has helped reduce outages caused by trees.

The Facilities Committee, made up of employees and a Board Director, continue to research alternatives for the co-op facility needs.

McLeod Co-op Power received a safety award from Minnesota Rural Electric Association (MREA) for an unannounced inspection of the facility.

Buckley talked about a recent economic development loan for the new Learning Center in Buffalo Lake, and the Co-op's new generator business.

Buckley also explained how the Co-op is incorporating renewable energy into its generation mix in a cost effective and fair way to all members. This has been most successful through Great River Energy, the Co-op's wholesale power supplier, providing 25% of its generation from renewable resources, and the Co-op's Community Solar Project.

Guest Speaker, Alison Deelstra, Director of Education & Communication at Minnesota Rural Electric Association (MREA) spoke about Cooperatives and the REA Movement and what it means today.

President Peterson introduced the Operation Trust Board Members and thanked them for their dedication.

Operation Round Up Trust Board Member, Cheryl Bielke announced that Operation Round Up received 19 applications this year. Fourteen projects received funds for a total of \$18,000.

Bielke referred the members to a full list of the winners on the backside of the Operation Round Up flier distributed at the meeting.

President Peterson introduced the 2018 Nominating Committee.

District 4: Glen Kurth, Frank Berg, Kevin Fluhrer

District 5: Paul Barchenger, Andrew Rasmussen

District 6: Dennis Busse, Duane Kistner, Veryl Becker

Nominating Committee Chairman Paul Barchenger read the results of the Director Election and declared Doug Kirtz elected from District 4, Allan Duesterhoeft elected from District 5 and Gary Burdorf elected from District 6. Each director elected will serve a three-year term.

President Peterson stated there was no Unfinished Business. President Peterson then asked for New Business.

Being none, a motion was made, seconded and carried to adjourn the meeting at 11:04 AM.

General Manager, Buckley responded to several questions from the Members.

Director Duesterhoeft spoke the Table Prayer.

Attendance prizes were awarded. The winner of the Grand Prize of \$300 in electric credit was Mr. & Mrs. Richard Prellwitz of Stewart.

Following the meeting, Chef Craig catered the event and served approximately 360 members and guests at the Hutchinson Event Center.

Dated: April 10, 2018

# McLeod Cooperative Power Association ANNUAL MEETING SCHEDULE HUTCHINSON EVENT CENTER APRIL 9, 2019

Registration Begins at Hutchinson Event Center.....	8:30 A.M.
Music by Lyndon Peterson One-Man-Band.....	8:50 A.M.
Meeting Called to Order .....	10:00 A.M.
Invocation .....	Dave Resch, Director
National Anthem .....	All Rise & Sing. Music by Lyndon Peterson
Welcome.....	Carrie L. Buckley, General Manager
Establish a Quorum.....	Doug Kirtz, Sec./Treas.
Reading of Notice of Meeting .....	Doug Kirtz, Sec./Treas.
Approval of Minutes of 2018 Annual Meeting .....	Doug Kirtz, Sec./Treas.
Introduction of Director Candidates Dist. 7, 8, & 9.....	Keith Peterson, President
Introduction of Directors in Districts 1-6 .....	Keith Peterson, President
Financial Report .....	Susan Noyes, Manager of Finance
Closing of Ballots.....	Keith Peterson, President
Manager's Report.....	Carrie L. Buckley, General Manager
Announcement of Operation RoundUp Recipients.....	Operation Round Up Trust Board
Introduction of Nominating Committee .....	Keith Peterson, President
Election Report.....	Nominating Committee Chairman
Unfinished Business .....	Keith Peterson, President
New Business.....	Keith Peterson, President
Adjournment	
Table Prayer .....	Gerald Roepke, Director
Drawing for Attendance Prizes and Grand Prize (\$300 electric bill credit).....	Sue Pawelk
Lunch to follow meeting .....	Catered by Chef Craig Catering

## McLeod Cooperative Power Association

Your Touchstone Energy® Cooperative 

1231 Ford Avenue, P.O. Box 70  
Glencoe, MN 55336-0070