

# ANNUAL REPORT 2019



**McLEOD COOPERATIVE  
POWER ASSOCIATION**

**Annual Meeting –  
April 14, 2020**

**WE'RE HERE  
FOR YOU**

**365 days a year**

# YOUR BOARD OF DIRECTORS

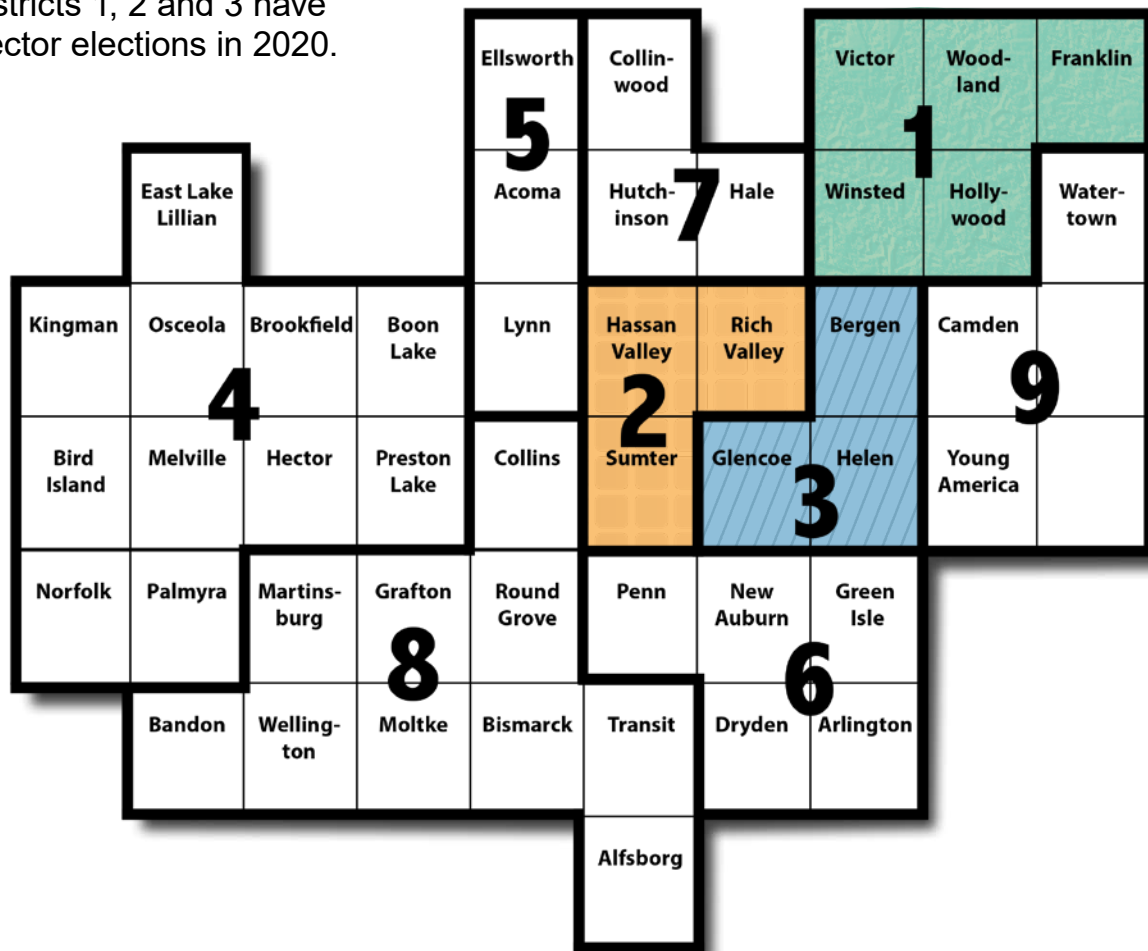


*MCPA Directors (l to r): Randy Hlavka, Doug Kirtz, Allan Duesterhoeft, Keith Peterson, Susan Anderson, Joe Griebie, Oria Brinkmeier, Gary Burdorf, and David Resch.*

- District 1    Oria Brinkmeier**
- District 2    Joe Griebie, Vice-President**
- District 3    David Resch**
- District 4    Doug Kirtz, Secretary-Treasurer**
- District 5    Allan Duesterhoeft**
- District 6    Gary Burdorf**
- District 7    Randy Hlavka, Great River Energy Board Representative**
- District 8    Keith Peterson, President**
- District 9    Susan Anderson, Asst. Secretary-Treasurer**

# McLEOD COOPERATIVE POWER ASSOCIATION DIRECTOR DISTRICTS

Districts 1, 2 and 3 have director elections in 2020.



## PROPOSED RESTATEMENT OF ARTICLES OF INCORPORATION AND BYLAWS

The Board of Directors adopted the following resolution approving the Restated Articles of Incorporation and Bylaws and is recommending approval by the members. The Articles of Incorporation and Bylaws of McLeod Cooperative Power Association may be altered, amended or repealed by the affirmative vote of not less than 2/3 of the members casting ballots.

### Resolution

**WHEREAS, the McLeod Cooperative Power Association Articles of Incorporation and Bylaws were last amended or revised in the year 2000; and**

**WHEREAS, it is in the best interests of the Cooperative to update its Articles of Incorporation and Bylaws to address changes that have occurred in the law, to modernize archaic language, to provide for efficiencies and cost savings in the operation and administration of the Cooperative, to address developments in technology, to address the future change in the Cooperative's principal place of business, and to provide additional legal protection to the Cooperative;**

**NOW THEREFORE, be it resolved, that the Board of Directors approves and recommends to the members of the Cooperative for consideration at the next Annual Meeting that the Articles of Incorporation and Bylaws be amended and restated in their entirety as presented.**



# CHAIRMAN AND GENERAL MANAGER MESSAGE

## We are here for You. 365 days a year.

It is our Vision to exceed Members expectations for reliable energy and services. Visions are far-sighted and sometimes lofty, as they should be, but our Vision becomes reality by what we actually do on a daily basis. Because we believe we “walk the talk”, we decided our theme for this annual report and this year’s annual meeting is, “We are here for You. 365 days a year.”

In this annual report we chronicle many operational and financial updates achieved throughout the year. The following are some more highlights throughout the year, resulting from our daily work to be here for You.

No rate increase in 2020. For the second consecutive year, Members can plan on the Co-op’s general service rates remaining stable for 2020. A contributing factor to this good news is our success at cost containment. The Co-op has worked hard in recent years to reduce internal costs by lowering the number of employees through attrition, adjusting employee benefits, requiring vendors to be more competitive, and reducing inventory levels. These efforts are showing their cost-saving value in our 2020 budget.

Facility progress - Historic Day! McLeod Co-op Power breaks ground on new building – that was the lead story of our August 2019 issue of our newsletter.

After nearly 70 years in our current office and garage in Glencoe, on July 25, 2019, we broke ground for a new building that will bring our garage, warehouse, office, and pole yard onto one central site at 3515 11th Street East, (which is one block north of the former Shopko store in Glencoe).

Our 52,000 square-foot building, including 40,000 sq. ft. of garage and warehouse space and 12,000 sq. ft. for the office, is largely

constructed but not quite ready for occupancy. The year 2019 had record precipitation in the fall which made the sitework preparation for the new building a bit difficult. Nonetheless, our contractor was able to schedule around the wet weather and kept us on track to enclose the building. Pre-cast concrete panels were tipped up in October and roof trusses were added in November. Once enclosed, interior construction could go full steam ahead. The concrete pad was poured in December and January, with office walls erected shortly thereafter. Remaining outside work will proceed at the first hint of Spring.

We expect to move into the new facility during August 2020. The Co-op employees will welcome a building big enough to accommodate its trucks and equipment. The accessible access (no steps) and drive-up payment box will be easier for members.

Construction cost of the building is expected to be \$9.2 million which was determined by a competitive bid process. Final cost of the project for the Co-op is not yet known, as the sale of the Co-op’s existing office, garage and warehouse building, parking lot, and pole yard property will all help offset the project cost and the Co-op has some specific owner costs outside of the



*Keith Peterson  
Board President*



*Carrie L. Buckley  
General Manager*



construction cost. It is a lot of money, but by selecting a sturdy, pre-cast concrete structure, we opted for a quality building, which if not tornado-proof, is certainly major storm resistant. We plan for it to last another 70 years!

**Governance and Transparency** - We feel we have always “walked the talk” when it comes to transparency, but we are constantly trying to improve our performance and are always open to a better idea. To that end, McLeod Co-op Power made a significant effort in the past year to make information more accessible to members. We now publish a summary of the monthly board meeting minutes in the Co-op newsletter. Members can now access the Articles of Incorporation and Bylaws, the Annual Report, board meeting dates, instructions on how to be a director candidate or how to vote in an election, director contact information, and rates and fees, on the Co-op website at [www.mcleodcoop.com](http://www.mcleodcoop.com).

As to governance, the Board, Senior Management, and the Co-op attorney engaged in a major effort to update the MCPA Articles of Incorporation and Bylaws, which were last updated 20 years ago in 2000. Recommended changes will be voted upon by the Members in time for the 2020 Annual Meeting.

The changes generally cover out-of-date language, changes in associated laws, the adoption of new technology, adjustments to recommended co-op business practices, provide clarity for certain definitions, and provide additional legal protections for the co-op.

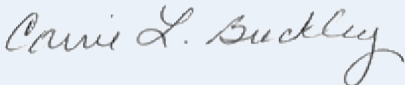
Cost containment, a new facility, governance, and transparency were all elements of our Strategic Plan. Your peer-elected board of directors works as a team with management and staff to envision and develop strategic plans. It is their role, as representatives of our cooperative membership to oversee our operations and finances, create policies, and guide future actions. Implementation then falls to our staff and employees whose professional commitment to our cooperative members shines through their daily work.

We move forward confidently and strategically, with attention to long-range outcomes that will benefit the cooperative membership. Thank you for the confidence you’ve shown in McLeod Cooperative Power Association.

Respectfully submitted,



Keith Peterson, Board President



Carrie L. Buckley, General Manager





# 2019 YEAR IN REVIEW

McLeod Co-op Power hosted its first EV Ride & Drive Event at the Crow River Winery on May 2, 2019. It was an electrifying event with people coming out to test drive a variety of electric vehicles. The educational event was coordinated with Midwest EVOLVE, Twin Cities Clean Cities Coalition, the American Lung Association and Great River Energy. About 50 people showed up to kick the tires on a wide variety of electric cars.



In May, Great River Energy and the Co-op launched the Energy Wise online store where members can shop for lightbulbs and efficiency products.

On June 27, a group of 53 members and employees attended a Minnesota Twins game. The group travelled via fan bus to Target Field and watched an 18-inning game against the Tampa Bay Rays.

The younger baseball fans turned out for the Minnesota Twins baseball clinic in Arlington on Saturday, July 13. About 50 six to thirteen-year-olds turned out to work on their throwing, pitching and hitting skills with the Twins organization. The event was hosted by McLeod Co-op Power and the Arlington Baseball Association.



On April 1, a new Distributed Energy Resources (DER) process went into effect. The Co-op began using the NOVA Power Portal, available on the Co-op's website, to provide all the interconnection documents in one place for homeowners or DER installers. They also apply online and the system tracks their application when installing solar, storage, or wind.





The historic groundbreaking for the Co-op's new 52,000 sq. ft. facility happened July 25 at the future home of the Co-op in Glencoe's East Industrial Park. Planning for the new building and construction activity were highlights in 2019, and also consumed extra time for employees on the building committee.



McLeod Co-op Power had installed emergency medical pendants since about 1993. The Co-op sold its medical monitoring business to Heartland Security Services in the fall. MCPA is one of 13 co-ops to share in ownership of Heartland Security Services. They specialize in medical and security systems and continue to provide services to our members in the area.

Late in the year, the Co-op purchased six automated external defibrillators (AEDs). The Co-op installed five in bucket trucks and one in the office. Employees were also trained to use the AEDs to speed lifesaving response in the event of a heart attack or electrocution.



## ENGINEERING & OPERATIONS REPORT

MCPA crews along with the underground contractor had an interesting year with weather conditions. January 29-31 was the polar vortex, then several powerful winter blizzards, Winter Storm Wesley April 11-12 that had McLeod sending two of our crews to Nobles Co-op on mutual aid, a June 4 storm that caused many outages, a very wet spring and summer, and galloping lines on December 30. It was amazing that crews were able to complete two capital work projects in 2019.

The first project consisted of converting two miles of three-phase overhead #2 ACSR to three-phase 4/0 AL. underground in Hector and Melville Townships. The second project was converting 7.5 miles of three-phase #2 ACSR overhead to three-phase 4/0 AL. underground line in Hector Township. The crews also started working on converting six miles of three-phase #2 overhead to three-phase 4/0 AL. underground in Hollywood Township. The underground has been installed, crews are working on switching taps over and doing retirement.

MCPA line crews installed a total of 672 feet of overhead lines and removed 122,864 feet of overhead lines. MCPA line crews and underground contractor installed 140,450 feet of underground conductor and removed 6,873 feet of underground conductor.

MCPA crews completed 274 work orders. MCPA line crew installed 72 new services as well as rebuilding and upgrading 46 existing services. There were 16 retirements completed on MCPA lines and 17 work orders completed for the city of Arlington. Crews completed 33 miscellaneous work orders (ditch, road moves, line moves and tile repairs). Crews completed 90 pole changes throughout MCPA's territory.

MCPA engineering staff staked 305 jobs in 2019. Engineering staff continues to work on the strategic goal of outage management and mapping.

Star Energy Services performed pole inspections on Hook Lake Substation. They inspected 3,122 poles and found 123 that needed replacement, for a replacement rate of 3.94%. Star is doing a complete inventory of all material and they are numbering poles. Engineering staff follows up making out work orders and crews follow with pole change-outs.

Star Energy did underground inspection on Helen Substation and started on Hook Lake Substation. They are doing a complete inventory of all material and numbering every transformer and cabinet. A total of 485 units were inspected. MCPA crews follow up doing repairs that are needed.

MCPA line crews continue to replace yard lights with LED lights. They are busy changing out older transformers and continue doing maintenance on MCPA lines. Crews are changing out old oil circuit breakers to the new one-shot style. One-shot allows the line crew to flip a lever, so the breaker opens on the first operation instead of going through three operations before opening up. This is a huge safety factor.

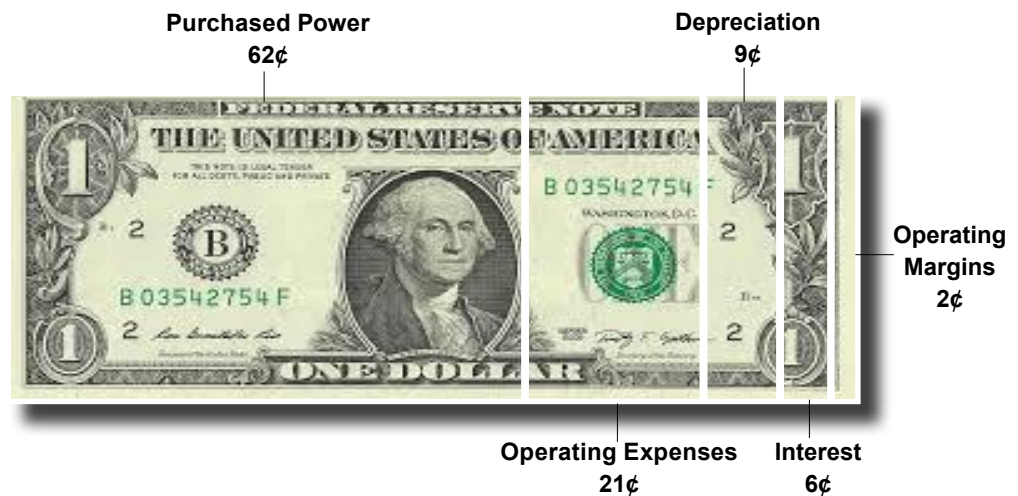
Burnham Tree Service continues to work at trimming MCPA lines to our specifications. They worked in Young America, Helen, Sumter and Glencoe Townships and attended to hot tickets through MCPA's project. R.O.W. Applicators follow up with right-of-way spraying.

Burnham Tree service will be working in New Auburn, Green Isle, Dryden, Arlington and Penn Townships in 2020.

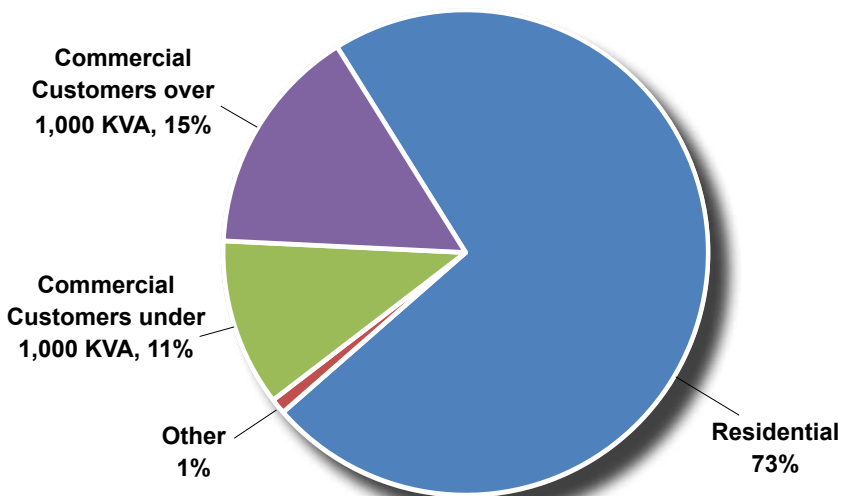
# STATEMENT OF OPERATIONS

	2019	2018
<b>REVENUES</b>		
Sale of electric energy to members	\$20,466,489	\$19,967,645
Miscellaneous electric revenues	344,768	229,117
<b>TOTAL REVENUES</b>	<b>\$20,811,257</b>	<b>\$20,196,762</b>
<b>EXPENSES</b>		
Wholesale power paid to Great River Energy	\$12,988,279	\$12,302,379
Operating Expenses (distribution, administrative, and customer service)	4,321,927	4,147,072
Depreciation of utility plant	1,852,304	1,785,950
Interest on loans	1,308,268	1,240,284
<b>TOTAL EXPENSES</b>	<b>\$20,470,778</b>	<b>\$19,475,685</b>
<b>NET OPERATING MARGIN</b>	<b>\$ 340,479</b>	<b>\$ 721,077</b>
Non-operating and other income (interest income, MSM, generators, etc.)	714,889	527,676
Non-operating expenses	(296,269)	(233,502)
Patronage capital from Great River Energy and other associated cooperatives	450,382	432,071
<b>TOTAL MARGINS (Income)</b>	<b>\$ 1,209,481</b>	<b>\$ 1,447,322</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, 2019. 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.

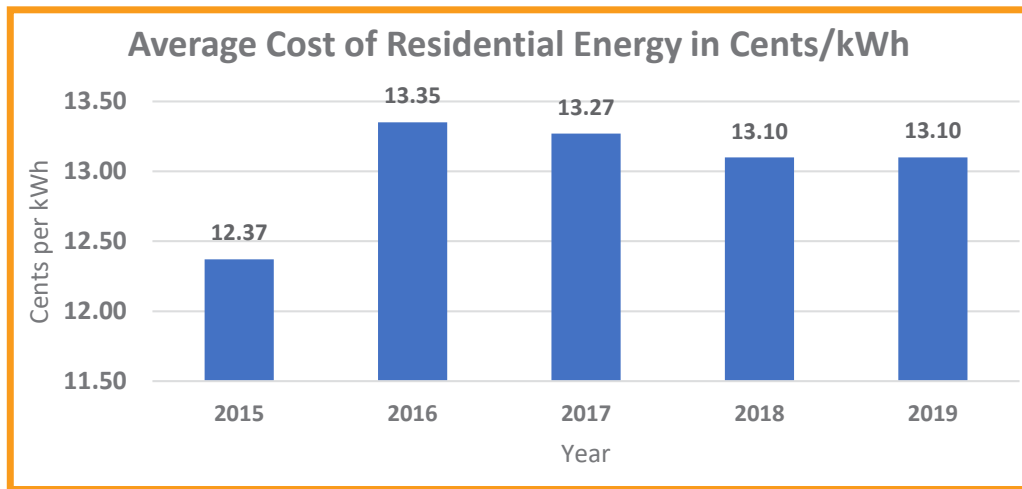


# BALANCE SHEET

<b>ASSETS (Things we own)</b>	<b>Dec. 31, 2019</b>	<b>Dec. 31, 2018</b>
Cost of System	\$ 53,337,577	\$ 51,606,656
Cost of our Office, Warehouse and Equipment	5,486,986	5,333,682
Construction work in Progress	4,730,092	692,486
We estimate our system has depreciated	(16,135,152)	(15,231,909)
<b>This gives our system a book value of</b>	<b>\$ 47,419,503</b>	<b>\$ 42,400,915</b>
<b>We have other Property and Investments:</b>		
Great River Energy Capital Credits	\$ 9,915,175	\$ 9,772,211
Capital Credits from Other Cooperatives	1,515,672	1,552,847
Investments with National Rural Utilities Cooperative Finance Corporation	8,360,160	8,511,723
Investments with Associated Organizations and Other	366,823	322,658
Loans to Organizations for Economic Development of our communities	282,584	305,470
<b>Total Other Property and Investments</b>	<b>\$ 20,440,414</b>	<b>\$ 20,464,909</b>
<b>We have these Current Assets:</b>		
Cash and Cash Equivalents	\$ 3,549,778	\$ 1,559,779
Great River Energy Temporary Investment Account	1,853,375	2,930,364
Members and others owe us for electricity	2,386,969	2,053,026
Members and others owe us for non-electricity (generators, rebates, materials)	102,080	94,439
Materials and Supplies for line construction and maintenance	913,450	844,263
Interest receivable on investments	63,486	61,887
Prepayments	18,149	12,995
<b>Total Current Assets</b>	<b>\$ 8,887,287</b>	<b>\$ 7,556,753</b>
<b>We have deferred debits</b>	<b>1,291,750</b>	<b>1,464,060</b>
<b>TOTAL ASSETS WE OWN</b>	<b>\$ 78,038,954</b>	<b>\$ 71,886,637</b>
<b>LIABILITIES (what we owe)</b>		
<b>Long-term debt</b>		
We owe Rural Utilities Service (RUS)	\$ 5,566,060	\$ 5,736,694
We owe Federal Financing Bank (FFB)	\$ 33,059,264	\$ 28,790,896
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)
We owe National Rural Utilities Cooperative Finance Corporation	\$ 3,682,360	\$ 3,930,220
We owe CoBank	\$ 244,444	\$ 501,989
We owe others	\$ 543,202	\$ 491,725
<b>Total long-term debt and other non-current liabilities</b>	<b>\$ 43,395,330</b>	<b>\$ 38,841,116</b>
We currently owe for power, materials, services, taxes, etc.	\$ 3,982,849	\$ 3,122,497
We have deferred credits (revenue, construction, community solar, etc.)	\$ 1,029,194	\$ 937,353
<b>TOTAL LIABILITIES WE OWE</b>	<b>\$ 48,407,373</b>	<b>\$ 42,900,966</b>
<b>NET WORTH (members equity in the cooperative)</b>		
Your accumulated patronage capital	\$ 16,477,070	\$ 16,729,025
Other equities (diversified services and others)	\$ 13,154,511	\$ 12,256,646
<b>MEMBERS EQUITY IN THE COOPERATIVE</b>	<b>\$ 29,631,581</b>	<b>\$ 28,985,671</b>
<b>TOTAL COMMITMENTS</b>	<b>\$ 78,038,954</b>	<b>\$ 71,886,637</b>

# COMPARATIVE OPERATING STATISTICS

	2015	2016	2017	2018	2019
<b>ELECTRIC SERVICE</b>					
Number of members	5,742	5,758	5,788	5,822	5,863
Miles of distribution line	1,890	1,892	1,896	1,911	1,912
Average number of accounts receiving service	6,617	6,714	6,750	6,818	6,873
Density of consumers per mile	3.50	3.55	3.56	3.57	3.59
Kilowatt-hours sold	184,679,900	179,619,374	161,025,997	167,197,672	170,217,825
Average KWH sold to residential consumer per month	1,434	1,433	1,424	1,484	1,480
Average bill per residential consumer per month	\$177.33	\$191.26	\$188.93	\$194.38	\$193.85
Average cost of residential kwh	\$0.1237	\$0.1335	\$0.1327	\$0.1310	\$0.1310



## McLEOD COOPERATIVE POWER ASSOCIATION EMPLOYEES

### EMPLOYEES POSITION

Carrie Buckley.....General Manager  
 Debbie Ebert.....Operations Specialist/Safety Coordinator  
 Dan Ehrke.....Member Service Manager  
 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.....Meter Specialist/Master Electrician  
 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.....Communications Specialist  
 Patty Robb.....Billing Coordinator  
 Dan Schade.....Operations Manager  
 Becky Schiroo.....Customer Service Representative  
 Ryan Schuette.....Lineman  
 Eric Sell.....Information Services Manager  
 Robert Senst.....W.H./Materials Technician  
 Robert Thomes.....Asst. Member Service Manager  
 Nicholas Tritz.....Lineman  
 Terry Underdahl.....Foreman



**McLEOD COOPERATIVE POWER ASSOCIATION**  
**MINUTES OF THE 84<sup>th</sup> ANNUAL MEETING**  
**APRIL 9, 2019**  
**HUTCHINSON EVENT CENTER – Hutchinson, MN**

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

Director David Resch gave the invocation.

The National Anthem was sung.

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 2018 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 2018 Annual Meeting as printed in the Annual Report. Motion carried.

President Peterson introduced Director Gerald Roepke who is not running for re-election and thanked him for his 27 years of dedicated service.

President Peterson announced the Director Candidates in the following districts.

District 7: Randall Hlavka and Leon G. Johnson; District 8: Keith Peterson and Todd Trebelhorn; District 9: Susan Anderson and Steven Simpson.

President Peterson introduced the Directors in Districts 1-6.

Manager of Finance, Susan Noyes, presented the 2018 Financial Report. Revenues in 2018 were higher than budgeted and expenses were down substantially allowing the cooperative to defer \$465,000 for use in 2019 or 2020 to prevent a rate increase if sales are not as strong.

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

General Manager Carrie L. Buckley updated members on the Co-op striving to measure up to our member’s expectations. No rate increase is anticipated in 2019 with reduced expenses and good sales in 2018. Efforts to reduce

costs in recent years are starting to show their cost-saving value.

General Manager Buckley updated members on plans for the new combined facility. Members were given a sneak peek at the schematic design of the new facility. Construction plans are underway with an anticipated completion date of summer 2020.

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

Operation Round Up Trust Board Member, Curt Burns announced that Operation Round Up received 18 applications this year. Thirteen projects received funds for a total of \$19,950.

Burns announced the names of the recipients who received grants this year.

President Peterson introduced the 2019 Nominating Committee.

District 7: Ronald Swenson, Bruce Svanda, Luanne Kucera  
District 8: Brad Baumgardt, Curt Burns, Jim Sallstrom  
District 9: Rodney Maetzold, Dean Loehrs, Marlin Kohls

Nominating Committee Chairman Ron Swenson read the results of the Director Election and declared Randall Hlavka elected from District 7, Keith Peterson elected from District 8, and Susan Anderson elected from District 9. Each director elected will serve a three-year term.

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

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

Being no new business, a motion was made, seconded and carried to adjourn the meeting at 10:55 A.M.

Director Roepke spoke the Table Prayer.

Attendance prizes were awarded. The winner of the Grand Prize of \$300 in electric credit was Larry Kassulker.

Following the meeting, Chef Craig catered the event and served approximately 375 members and guests at the Hutchinson Event Center.

Dated: April 9, 2019